

REPORT FOR: Tenant, Leaseholder and Resident Consultative Forum

Date of Meeting: 19 December 2012

Subject: Report back from Housing Finance workshop (26 November 2012)

Responsible Officer: Lynne Pennington
Divisional Director of Housing

Exempt: No

Enclosures: Appendix 1 – Housing Finance Glossary (draft for comment)
Appendix 2 – Feedback from Housing Finance workshop participants

Section 1 – Summary

This report provides feedback from the Finance workshop for tenants, leaseholders, residents and councillors held on 26 November 2012, following a request made by the last TLRCF meeting. It also sets out the next steps for developing the business plan/ rent strategy. It encloses a draft Housing Finance Glossary for information and comment and seeks views on future training requirements.

Recommendation:

That the Forum be invited to note the report and make comments.

Section 2 – Report

Introduction & background

- 2.1** The background for this workshop relates to a report taken to the Special TLRCF meeting on 26th September in respect of options available for setting rents in the future. The report contained several options for rent setting, and necessarily needed to address some complex issues relating to both the current position and options going forward. It became apparent at the meeting that there was a general need for training to be provided in respect of the issues around rents and we felt it would be beneficial to widen this to include a more general look at Housing Revenue Account finance in order to understand the context within which rent options were being considered. A workshop was therefore arranged for Monday 26th November 2012 to deliver this training.
- 2.2** Invitations were sent to people/ Tenant and Resident Associations (TRAs) on the HFTRA mailing list, to members of the Scrutiny Panel and also to councillor members of TLRCF and the political group leaders.

Housing Finance workshop feedback

- 2.3** The workshop was held in Churchill Place Hall. It was reasonably well attended with 20 tenant/ leaseholder/ resident representatives, including members of HFTRA, the Tenant Scrutiny Panel, the Harrow Sheltered Residents Association and 7 TRAs from across the borough. Four councillors were also present and 9 officers, in facilitator and support roles.
- 2.4** The structure of the workshop included: two table based exercises, a presentation and a quiz. The first exercise was around the decisions and choices involved in balancing a household budget. During this part, tables were given four different scenarios of household budgets affected by the housing changes and welfare reforms. After table discussions, participants fed back to the main group on their choices and the reasons for them.
- 2.5** The presentation was based on the Harrow Housing Revenue Account (how it is made up, how it currently balances and the factors which will influence it in the future). This was followed by a lively question and answer session in which delegates asked the officer presenting about all aspects of the HRA and the new self financing regime. There was then a quiz to test knowledge of the HRA, plus some facts about Harrow and famous local people.
- 2.6** The final table exercise gave participants the opportunity to run a fictional housing department. They were given a budget of £30m (broken down into key elements of income and expenditure) and their task was to create a balanced budget from a series of options e.g. different rent increases, service charge increases and expenditure options. During the exercise, each table was given a 'wild card' situation of expenditure pressures which they were asked to consider. The four tables produced different spending decisions and they explained to the group their reasons for these e.g.

various rent strategies, investment in new or existing housing stock, environmental improvements, measures to contain costs, services to support tenants faced by income/ welfare cuts and the use of savings/ balances.

- 2.7** At the end of the session delegates were asked to complete a feedback form. This was followed up by some telephone conversations and verbal feedback in order to obtain further information. A summary of the feedback is attached at Appendix 2. Generally the workshop was well received and the areas for improvement will be taken forward. We would like to thank everyone who took the time to offer feedback.
- 2.8** In response to specific feedback about the use of housing jargon we have drawn up a housing finance glossary (see appendix 1) in draft and we would welcome any comments on content before it is finalised. This will then be made available at future finance events, and on request.

Next steps

- 2.9** As can be seen from the feedback, the workshop was well received and felt to be a useful exercise, and we have been asked to provide a further session to members of the Tenants and Leaseholders Scrutiny Panel who were unable to attend the original workshop date.
- 2.10** The workshop was intended to be an introduction to the Housing Revenue Account (HRA) and to provide information about the context within which rent options need to be considered. As such, the session was a high-level overview of the HRA, and our intention is to build on the foundations laid at this workshop by providing more detailed training to interested parties for whom this would be relevant, e.g. Scrutiny Panel members. This could, for example, take the form of a programme of training focusing on a specific area at each session with the intention of raising awareness and improving the ability of attendees to contribute effectively to the governance of the HRA through Scrutiny, TLRCF or other means.
- 2.11** The original purpose of the workshop was to enable a greater understanding of what the options for rent setting mean, and the context within which any decisions around appropriate methods for calculating rents need to be considered, i.e. firmly linking decisions around income to decisions around expenditure to achieve a balanced HRA. As part of its budget setting process for the HRA, the Council will need to consider what increases should be applied to rents and service charges for the next financial year, and will need to consult with TLRCF in respect of these. We hope that the workshop will have enabled TLRCF members to be fully engaged in these discussions, and to understand the complex and inter-linked nature of HRA finance and the decisions they are being asked to make.
- 2.12** Members of TLRCF are asked to comment on future training requirements e.g. should we run another introduction to the HRA workshop, for those members unable to make the 26 November session? What other training requirements are needed for the year ahead?

Section 3 - Financial Implications

3.1 Financial matters are integral to the report.

Section 4 - Corporate Priorities

4.1 The proposals in this report incorporate the corporate priority:
United and involved communities.

Name: Roger Hampson	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 4 December 2012		

Section 5 - Contact Details and Background Papers

Contact:

Jane Fernley
Housing Partnerships & Strategy Manager
Tel 020 8424 1283
Jane.fernley@harrow.gov.uk

Background Papers:

Housing Finance workshop file

Appendix 1: HOUSING FINANCE GLOSSARY 2012 – draft for comment

Term	Definition
Affordable housing	Subsidised housing for rent or shared ownership, for people who cannot afford to buy a property on the open market. Rents at up to 80% of market rent levels are now deemed to be “affordable”.
Arms length management organisations	Companies (or other legal bodies) set up and owned by the Council – but operating separately from it and governed by its own board– to manage services on behalf of the Council.
Asset management	The function of looking after assets (land or buildings), which includes both repairs and investment and making decisions about which assets we want to own or continue to own. In Harrow this is also the name of the team which looks after housing repairs and maintenance, including long term investment in the housing stock.
Benchmarking	The process of comparing an organisation’s costs and performance with other similar organisations
BMG	A market research organisation that carried out Harrow’s latest tenant and leaseholder satisfaction survey
BP	Business Plan
Cabinet	Council committee that makes Council decisions.
Capital expenditure	Money spent to buy or improve assets e.g. land or buildings
Capital receipt	Money received for the sale of a capital asset (e.g. land or buildings)
Choice-based lettings	A scheme in which people in need of <i>affordable housing</i> can ask to be considered for specific vacant Council or housing homes, instead of homes being allocated to applicants on waiting lists on the basis of housing need. In Harrow we are members of the Locata choice based lettings scheme.
CIPFA (Chartered Institute of Public Finance & Accountancy)	The body that sets the guidelines for Council financial accounts
Civica	An IT system used in Harrow to manage officers’ work flow
Codeman	The IT database used in Harrow to record information on stock condition
Cyclical Repairs	Maintenance carried out on a regular repeated basis (e.g. every 5 -10 years)
DCLG (Department for Communities and Local Government)	Government department responsible for formulating and implementing Government housing policy, and local authority affairs
De-conversion	Turning a property that has been converted into flats back into a single home
De-pooling	Separating service charges from rent
DHS (Decent Homes Standard)	Target previously set by Government for all social housing providers to meet by 2010. In brief, a decent home has to: <ul style="list-style-type: none"> • meet the current statutory minimum standards for housing

Term	Definition
	<ul style="list-style-type: none"> • be in a reasonable state of repair • have reasonably modern facilities and services • provide a reasonable degree of thermal comfort.
Depreciation	Amount of money set aside from the HRA to provide funds for future capital investment.
Estate representative	These are individuals living on estates in areas which do not have a Tenants' and Residents' Association (TRA). They represent the views of people on their housing estate. This is a voluntary role and estate representatives can attend HFTRA meetings and take part in estate inspections. They should make sure that communication is two way and feed back on discussions and decisions to all residents on their estate.
Estate services	Services provided to the external areas of estates such as caretaking, grounds maintenance, refuse collection and recycling facilities
Extra Care housing	Sheltered housing with additional facilities to allow staff to provide extra support/ care for people who need it
Former Tenant Arrears	Rent arrears owed to the Council by tenants who have now left a property
GF (General Fund)	The Council's financial account that deals with income and expenditure relating to all the Council's services (excluding council housing)
GLA (Greater London Authority)	Authority responsible for policy across London e.g. planning and housing policy
HFTRA (Harrow Federation of Tenants and Residents Association)	A formally recognised and constituted consultative body, made up of recognised representatives from all recognised and registered tenant and resident associations and community groups
House Mark	An organisation that provides guidance on best practice and benchmarking services for housing organisations (See benchmarking)
Housing association	See Registered Social Landlord / Provider
Housing Quality Network	An organisation that provides guidance on best practice and benchmarking services for housing organisations
HRA (Housing Revenue Account)	The Council's financial account that deals with income and expenditure relating to the management and maintenance of the Council's housing stock e.g. rental income, service charges, staffing costs, repair costs
HRA Capital Financing Requirement	The amount of borrowing within the HRA. This includes the amount borrowed to pay the Government to leave the subsidy system.
HRA subsidy	Prior to April 2012, an annual revenue subsidy was calculated by the Government as part of a national system for council housing. Some councils received subsidy and others paid into the subsidy pot. In Harrow we made a net contribution to the pot of approx £7m in 2011/12.
IT	Information Technology
LOCATA	The choice-based lettings scheme that Harrow offers. (See Choice based lettings)

Term	Definition
Major works	Capital investment in the Council's housing stock, which may be renewing or replacing existing components of the property or improvements to the existing property.
Mediation	A method of resolving disputes between two parties using a third, external party, known as a mediator. The mediator tries to bring the two opposing parties to an understanding of the issues, including each other's point of view
Minor Estate Improvements fund	A fund available to finance works to the environment of estates e.g. play areas, planting, improved lighting
Minor Works	Refers to day to day repair works carried out to council homes (as separate from cyclical maintenance and minor works)
MRA (major repairs allowance)	Prior to April 2012 this was an annual Government subsidy given to local authorities to assist with the maintenance of their housing stock, calculated by a formula based on the type and age of the housing stock.
Mystery shopping	A form of market research that uses customers to assess services. Individuals are trained to pose as customers and undertake a series of agreed tasks, aimed at monitoring service delivery.
OT (Occupational Therapist)	Someone who is professionally trained to assess the needs of physically-disabled people
Outturn	Often used to refer to the final accounts for a financial period (as opposed to the budget estimate which is prepared in advance)
Partnering	A form of contract in which the client and contractor have a closer relationship, sharing the risk
PI (Performance Indicator)	Specific measured piece of information that shows how well a service has performed in relation to a target e.g. rent collection, repair times, customer satisfaction
Portfolio Holder	A senior councillor who is a member of the Cabinet, responsible for specific areas of Council work (e.g. housing, finance etc).
Post-inspection of repairs	Inspecting repair work after it has been completed to check that it has been done properly
Pre-inspection of repairs	Inspecting reported problems to assess what sort of repair is needed
Pre-void inspection	Assessing the condition of a property which is about to become empty
Protocol	Agreement between different teams/organisations about how clients should be referred from one to the other
Prudential borrowing	The ability of Councils to borrow to fund capital expenditure, but only as much as they know they could pay back over the years of the loan from their day-to-day income
RSL (Registered Social Landlord) or RP (Registered Provider)	A non-profit making organisation (usually a housing association) that is registered with, and regulated by, the Homes & Communities Agency

Term	Definition
Rent restructuring and rent convergence	A Government requirement that all councils and RSLs must re-calculate their rent levels at individual property levels, by reference to a target rent calculated using individual property values, regional and national earnings, national average rent levels and numbers of bedrooms. The process of moving from existing rent levels to target rent levels is called rent convergence. The current target date for rent convergence is 2015/16.
RCCO (Revenue contributions to capital outlay)	Rental or other income used to pay for capital expenditure
Resident Services	The team within Harrow Council that provides tenancy and estate management services to tenants and leaseholders
Responsive Repairs	Repairs that are done because a part of the building fails rather than in a planned way (also known as minor works)
Ring Fenced HRA	Describes the fact that the income and expenditure within the HRA are strictly controlled by the Government, which means that the Council cannot use the HRA to support the General Fund or vice-versa.
RTB (Right to Buy)	A Government scheme that allows Council tenants to buy their own home from the Council. Maximum discounts have been increased to £75,000 from April 2012 making this more attractive than at previous levels.
RTM (Right to Manage)	Statutory right of local authority tenants to take over the management of their homes by setting up a Tenant Management Organisation
Self Financing (also known as HRA reform)	Applies from April 2012 and refers to the HRA after leaving the Government's subsidy system. The HRA must be able to support itself with no assistance from the Council or Government.
Self Financing payment (or settlement)	The amount the Council had to pay the Government to leave the subsidy system and become self financing in April 2012. In Harrow's case this was £88.5m.
Service Level Agreement	An agreement covering the services that one department within an organisation will provide to another, or one organisation will provide to another.
Sheltered housing	Supported accommodation provided for older people, usually comprising independent flats with a communal lounge facility. The residents are typically offered housing support and have an emergency call facility.
Social landlords	Generally, <i>RSLs/ RPs</i> and local authorities providing affordable housing
SAP (Standard Assessment Procedure)	A measure of how energy efficient a property is, between a score of 0 (low) and 120 (high)
SAP system	Type of business computer software used in Harrow e.g. budget management
Sensitivity analysis	Analysis of how certain outcomes can change in response to other factors/ assumptions e.g. how

Term	Definition
	the balance on the HRA could be affected by changes in inflation or interest rates
Snagging	Minor additional work that needs to be done after major works are completed
SNT (Safer Neighbourhoods Team)	Team of Police officers and Community Support Officers (PCSOs) who aim to identify and tackle neighbourhood issues such as anti-social behaviour, graffiti, noisy neighbours, vandalism etc.
STATUS / STAR survey	Standardised tenant / leaseholder satisfaction survey. Previously the STATUS survey was a government requirement. It has been replaced by STAR (survey of tenants and residents) which is a national voluntary survey format for social housing, administered by Housemark. Harrow's latest STAR survey was undertaken in autumn 2012.
Stock condition survey	A survey of the inside and the outside of some of the council's properties, that gives an indication of the condition of all the properties and enables us to plan future work
Stock Options Appraisal	A process to determine the most appropriate future ownership and management of the Council's housing stock
Supporting People (SP)	A Government initiative which brought together sources of funding for supported housing. SP budgets are now run by local authorities in relation to local priorities.
System-built	Built in a non-traditional way using prefabricated parts such as a steel frame, large concrete panel, timber frame etc
Target rent	The individual rents for properties that councils and housing associations should aim to charge by 2016, based on a Government formula
Telecare	A type of assistive technology which uses sensors in the home to alert the Council if an older or vulnerable person's usual living pattern is disrupted so that emergencies can be identified and help provided e.g. falls
Third-Party Reporting site	Place other than police station where victims of domestic violence or hate crime can report what is happening to them in confidence
TLRCF (Tenants, Leaseholders & Residents Consultative Forum)	Forum which consists of representatives from the HFTRA, tenants' and residents' associations, the Leaseholder Support Group, and elected members which meets regularly to discuss issues affecting all tenants, leaseholders and residents in areas of council housing in the borough
TMO (Tenant Management Organisation)	Organisations where tenants have taken over the running of some or all of the services on their estate
TRA (Tenants and Residents Associations)	Voluntary groups made up of people who live in a particular area or estate, who have got together to have their say on local issues, improve their area or organise social events
Under-occupation	Situation where a household is living in a property that is bigger than their household needs

Term	Definition
Useable Right to Buy Capital Receipts	Proceeds from sales of Right to Buy properties that can be used by the Council. Up to the level of sales assumed within the self financing calculation, only a proportion of these (25%) can be used directly by the Council as the rest goes to the Government and these are the “useable” receipts. Sales above the level assumed within the self financing calculation are subject to a separate agreement under which we can retain the majority of the receipts to use for replacement <i>affordable housing</i> .
Value for money VFM	Term used to describe the best use of available funds. The Council seeks to achieve this through service reviews, <i>benchmarking</i> against other organisations, market testing of services and the use of <i>Service Level Agreements</i> and/or service charters.
Void properties	Empty (vacant) properties.

Appendix 2: Feedback from Housing Finance workshop participants (26/11/12)

This feedback is based on 13 feedback forms.

77 %	Agreed the event met its overall objective of informing me about the Housing Revenue Account, how it works and the choices we might make on expenditure and income
84%	Agreed the presentation was informative/ useful
92%	Agreed I can see what impact there is from the choices we make on expenditure and income
100%	Agreed the table exercises were informative and interesting
100%	Agreed the feedback sessions were useful
77%	Felt the practical arrangements for the day (invitation and administration) were satisfactory
97%	Felt the practical arrangements on the day (venue facilities, catering) were satisfactory

In addition, the following comments were made, and we will take these into account when planning future events:

- For some people the lack of parking was problematic, and it was felt that a venue inside the Civic Centre offered better all round facilities.
- A minority of people commented on the use of finance jargon. In response to this we have devised a housing finance glossary (see appendix 1)
- The majority of participants found the budgeting exercises useful and informative
- Of 6 people asked directly about the level at which the workshop was pitched – 4 found it easy, 1 just right, 1 found it hard. This suggests we need to find a way of accommodating different levels of understanding of housing finance when planning future events.
- 9 respondents would like to attend future housing finance / service planning workshops
- Of 6 people asked directly about their preferred time, 3 said morning and 3 said afternoon
- Suggestions for things which could be changed in future events included: having a debate, have more meetings, change the venue, make the table exercises easier by having an expert on each one to explain items.
- Several people commented that the Churchill Place venue was not ideal in terms of noise and facilities.