

**Southwark Council**

**Housing and Modernisation**

**Budget Book 2021-22**

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## Overview

The department comprises a diverse range of services funded from both the general fund and the ring-fenced housing revenue account (HRA) for landlord services. In delivering the council's Fairer Future Promises, the department aims to maximise investment in its housing stock, build new council homes at council rents, deliver consistently high quality services and continue to support the most vulnerable residents, particularly those in need of temporary housing.

Key priorities for the Housing and Modernisation department:

1. Deliver tangible change for our communities and our workforce through the Southwark Stands Together (SST) programme.
2. Reduce homelessness and use of temporary accommodation and work to end rough sleeping in Southwark.
3. Increase the number of council homes in Southwark, with at least 2,500 built or on site by May 2022.
4. Refresh the 2015-23 Asset Management strategy and prepare the council for the regulations arising from the Building Safety and Fire Safety bills.
5. Major estate renewal of Aylesbury, Maydew, Ledbury, Tustin, etc.
6. Tackle climate emergency by bringing forward low waste, low energy new council homes; improving energy efficiency of council homes heat networks; retrofitting council homes to make them greener; using council land and roofs to produce clean energy; and halving council emissions by 2022.
7. Implement the Repairs Improvement Plan through extensive resident engagement and internal consultation.
8. Reduce the number of empty homes in our borough, so more local people can move into them.
9. Implement the 2021 – 2023 Technology and Digital Strategy which will ensure all residents benefit from opportunities to take advantage of the digital revolution.
10. Implement the corporate 2020 – 2024 Customer Access Strategy.

A high proportion of the housing general fund budget is either demand driven or of a fixed contractual nature, for example, temporary accommodation, the customer contact centre and corporate facilities management, which leaves relatively little scope to make any meaningful savings towards meeting the budget gap, without having a detrimental impact on service provision. For 2021-22 savings of £2.124m have been made, including a windfall reduction of £1.557m in the council's contribution to Transport for London (TfL) for the Freedom Pass. Conversely, budget commitments total £4.758m, predominantly to meet increasing homeless demand (£4.245m), along with other unavoidable commitments of £562k and a negative income adjustment of £750k giving rise to an overall cumulative net budget increase of £3.384m.

| Commitments         | £'000        |
|---------------------|--------------|
| Asset Management    | 443          |
| Resident Services   | 4,245        |
| Customer Experience | 70           |
| <b>Total</b>        | <b>4,758</b> |

| Savings/Income Generation | £'000         |
|---------------------------|---------------|
| Asset Management          | 637           |
| Resident Services         | -25           |
| Customer Experience       | -1,877        |
| Central Functions         | -109          |
| <b>Total</b>              | <b>-1,374</b> |

## General Fund Summary Budget Analysis

| Divisional analysis | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---------------------|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Asset Management    | 14,809                      | 13,214                     | 714                            | 702                | 443                  | 637                                | 15,709                     |
| Resident Services   | 12,549                      | 9,979                      | -2,009                         | 0                  | 4,246                | -25                                | 12,191                     |
| Customer Experience | 28,231                      | 30,862                     | -697                           | 0                  | 70                   | -1,877                             | 28,358                     |
| Central Services    | 2,699                       | 3,866                      | -157                           | 0                  | 0                    | -109                               | 3,601                      |
| <b>Net Budget</b>   | <b>58,288</b>               | <b>57,922</b>              | <b>-2,150</b>                  | <b>702</b>         | <b>4,759</b>         | <b>-1,374</b>                      | <b>59,859</b>              |

| Subjective analysis                     | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Employees                               | 13,144                      | 13,409                     | 350                            | 0                  | 689                  | -261                               | 14,187                     |
| Premises                                | 12,084                      | 12,758                     | -529                           | 702                | 0                    | -80                                | 12,851                     |
| Transport                               | 184                         | 122                        | 0                              | 0                  | 0                    | 0                                  | 122                        |
| Supplies and Services                   | 12,825                      | 11,667                     | 170                            | 0                  | 0                    | -109                               | 11,728                     |
| Third Party Payments                    | 27,632                      | 27,141                     | 0                              | 0                  | 4,070                | 0                                  | 31,211                     |
| Transfer Payments                       | 12,437                      | 12,311                     | 0                              | 0                  | 0                    | -1,557                             | 10,754                     |
| Support Services                        | 6,093                       | 6,078                      | -143                           | 0                  | 0                    | -206                               | 5,729                      |
| Capital Charges                         | 7,144                       | 7,502                      | 2                              | 0                  | 0                    | 0                                  | 7,504                      |
| <b>Total Expenditure</b>                | <b>91,543</b>               | <b>90,988</b>              | <b>-150</b>                    | <b>702</b>         | <b>4,759</b>         | <b>-2,213</b>                      | <b>94,086</b>              |
| Government Grants                       | -7,189                      | -4,027                     | -2,000                         | 0                  | 0                    | 0                                  | -6,027                     |
| Other Grants                            | -1,516                      | -1,278                     | 0                              | 0                  | 0                    | 0                                  | -1,278                     |
| Fees and Charges                        | -19,566                     | -20,100                    | 0                              | 0                  | 0                    | 839                                | -19,261                    |
| <b>Total Income</b>                     | <b>-28,271</b>              | <b>-25,405</b>             | <b>-2,000</b>                  | <b>0</b>           | <b>0</b>             | <b>839</b>                         | <b>-26,566</b>             |
| <b>Net Expenditure before Recharges</b> | <b>63,272</b>               | <b>65,583</b>              | <b>-2,150</b>                  | <b>702</b>         | <b>4,759</b>         | <b>-1,374</b>                      | <b>67,520</b>              |
| Recharges – HRA                         | -2,923                      | -2,969                     | 0                              | 0                  | 0                    | 0                                  | -2,969                     |
| Recharges – Other                       | -2,061                      | -4,692                     | 0                              | 0                  | 0                    | 0                                  | -4,692                     |
| <b>Net Recharges</b>                    | <b>-4,984</b>               | <b>-7,661</b>              | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-7,661</b>              |
| <b>Net Budget</b>                       | <b>58,288</b>               | <b>57,922</b>              | <b>-2,150</b>                  | <b>702</b>         | <b>4,759</b>         | <b>-1,374</b>                      | <b>59,859</b>              |

| Employees           | FTE        |
|---------------------|------------|
| Asset Management    | 84         |
| Resident Services   | 94         |
| Customer Experience | 88         |
| <b>Total</b>        | <b>266</b> |

## Asset Management

The division is primarily responsible for maintaining the council's housing stock comprising repairs and maintenance, voids, electrical and mechanical engineering and major renewal and replacement works, which fall within the HRA. General Fund services cover aids and adaptations, handypersons and private sector housing renewal and empty homes. Savings have previously been achieved through the rationalisation of management across these functions without affecting service delivery. Following a review, greater support for the new homes programme is required with a consequent employee saving of £58k as funding switches to the HRA moving forward. At the same time, new requirements in relation to building and fire safety in private sector housing necessitate the establishment of a specialist compliance team and budget commitment of £443k.

From 1 April 2021 corporate facilities management (CFM), responsible for ensuring the council's operational estate is both compliant with health and safety regulations and fit for purpose for staff and service users alike has transferred into the asset management division. Commitments approved in previous budget rounds have addressed inherent cost pressures/anomalies and stabilised the budget position, but there is no scope for further savings other than the second year reduction of £55k arising from the investment in LED lighting at Tooley Street, which also contributes to the council's carbon reduction commitment. Further LED and other carbon reduction measures are being developed across the council's operational estate.

A complex exercise to procure hard and soft facilities management service contracts, in unison with greater in-house provision of cleaning services at the council's main administrative hubs, has unfortunately proved to be unsuccessful, with no suitable outcomes for either hard or soft services being achieved. The timeframe for a future procurement has necessitated agreeing an extension to the current contract arrangements, which will realistically defer any future budget proposals to late 2022-23 or 2023-24.

While setting the 2020-21 budget, negotiations were well advanced for the Clinical Commissioning Group (CCG) to further relocate over a hundred employees to Tooley Street, generating a substantially higher contribution to the council's costs. However, with the advent of Covid-19 the CCG has withdrawn its proposal which means the additional £750k rental income assumed in the earlier budget round will be foregone resulting in a further unavoidable budget commitment for 2021-22.

| Activity analysis               | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---------------------------------|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Housing Renewal                 | 311                         | 315                        | 0                              | 0                  | 443                  | 0                                  | 758                        |
| Aids and Adaptations            | 64                          | 75                         | 0                              | 0                  | 0                    | 0                                  | 75                         |
| Corporate Facilities Management | 14,442                      | 12,766                     | 713                            | 702                | 0                    | 695                                | 14,876                     |
| New Homes                       | -8                          | 58                         | 0                              | 0                  | 0                    | -58                                | 0                          |
| <b>Net Budget</b>               | <b>14,809</b>               | <b>13,214</b>              | <b>714</b>                     | <b>702</b>         | <b>443</b>           | <b>637</b>                         | <b>15,709</b>              |

| Subjective analysis                     | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Employees                               | 3,547                       | 3,824                      | 416                            | 0                  | 443                  | -54                                | 4,629                      |
| Premises                                | 11,649                      | 11,849                     | -359                           | 702                | 0                    | -55                                | 12,137                     |
| Transport                               | 119                         | 97                         | 0                              | 0                  | 0                    | 0                                  | 97                         |
| Supplies and Services                   | 354                         | 465                        | 0                              | 0                  | 0                    | 0                                  | 465                        |
| Third Party Payments                    | 97                          | 28                         | 0                              | 0                  | 0                    | 0                                  | 28                         |
| Support Services                        | 81                          | 93                         | 0                              | 0                  | 0                    | -93                                | 0                          |
| Capital Charges                         | 2,913                       | 2,304                      | 656                            | 0                  | 0                    | 0                                  | 2,960                      |
| <b>Total Expenditure</b>                | <b>18,760</b>               | <b>18,660</b>              | <b>713</b>                     | <b>702</b>         | <b>443</b>           | <b>-202</b>                        | <b>20,316</b>              |
| Fees and Charges                        | -1,079                      | -1,917                     | 0                              | 0                  | 0                    | 839                                | -1,078                     |
| <b>Total Income</b>                     | <b>-1,079</b>               | <b>-1,917</b>              | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>839</b>                         | <b>-1,078</b>              |
| <b>Net Expenditure before Recharges</b> | <b>17,681</b>               | <b>16,743</b>              | <b>713</b>                     | <b>702</b>         | <b>443</b>           | <b>637</b>                         | <b>19,238</b>              |
| Recharges – HRA                         | -1,720                      | -1,770                     | 0                              | 0                  | 0                    | 0                                  | -1,770                     |
| Recharges – Other                       | -1,152                      | -1,759                     | 0                              | 0                  | 0                    | 0                                  | -1,759                     |
| <b>Net Recharges</b>                    | <b>-2,872</b>               | <b>-3,529</b>              | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-3,529</b>              |
| <b>Net Budget</b>                       | <b>14,809</b>               | <b>13,214</b>              | <b>713</b>                     | <b>702</b>         | <b>443</b>           | <b>637</b>                         | <b>15,709</b>              |

## Resident Services

The division is responsible for a range of services extending across both the HRA and general fund. Services comprise travellers' sites and supported housing management, which has shared funding arrangements with the HRA. Significant reconfiguration and improvement works to improve health and safety and fire protection measures at sites have been undertaken. The council has been successful in securing grant funding of £1.7m from the Greater London Authority (GLA) towards these works and is in preliminary discussions around a further grant bid towards a hostels improvement programme. Residual savings of £25k arising from the closure of the temporary site at Devonshire Grove means a small saving can be achieved for 2021-22 without any detrimental service impact. From 1 April 2021 responsibility for temporary accommodation and housing solutions transfers into the resident services division.

Southwark is recognised nationally as a leading authority on homelessness prevention but the cost of TA remains one of the council's most intractable budget pressures. This is driven by a growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation.

Moreover, Covid-19 has had a very significant impact in budget terms. Whilst the council's decisive and rapid response to homing the borough's rough sleepers, those in shared accommodation and other vulnerable people is to be applauded, it has come at a very high price and remains a major concern going forward given the continued uncertainty in relation to the pandemic. The ending of restrictions prohibiting evictions in the private rented sector will inevitably lead to a spike in homelessness demand that will further impact the financial position. Whilst government funds have been forthcoming, they are not sufficient to cover the full cost incurred. Looking forward, as the worst effects of the pandemic hopefully subside and linked to some potential changes in the council's discharge policy, there is some optimism that the budget position will stabilise and gradually improve. However, there remains little prospect of making real savings in this area for the foreseeable future and the need to rebase the TA budget to a more sustainable level remains, with a substantial commitment of £4m for 2021-22. A further commitment of £245k was also approved to address capacity shortfalls within the housing solutions service which is integral to meeting rising demand.

| Activity analysis          | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|----------------------------|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Supported Housing Services | 367                         | 365                        | 0                              | 0                  | 0                    | 0                                  | 365                        |
| Travellers Sites           | 206                         | 215                        | -9                             | 0                  | 0                    | -25                                | 182                        |
| Housing Solutions          | 3,142                       | 2,543                      | 0                              | 0                  | 246                  | 0                                  | 2,789                      |
| Temporary Accommodation    | 8,834                       | 6,856                      | -2,000                         | 0                  | 4,000                | 0                                  | 8,856                      |
| <b>Net Budget</b>          | <b>12,549</b>               | <b>9,979</b>               | <b>-2,009</b>                  | <b>0</b>           | <b>4,246</b>         | <b>-25</b>                         | <b>12,191</b>              |



| Subjective analysis                     | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Employees                               | 5,075                       | 4,380                      | 0                              | 0                  | 245                  | 0                                  | 4,626                      |
| Premises                                | 310                         | 237                        | 0                              | 0                  | 0                    | -25                                | 212                        |
| Transport                               | 30                          | 9                          | 0                              | 0                  | 0                    | 0                                  | 9                          |
| Supplies and Services                   | 3,313                       | 446                        | 0                              | 0                  | 0                    | 0                                  | 446                        |
| Third Party Payments                    | 27,237                      | 26,868                     | 0                              | 0                  | 4,000                | 0                                  | 30,868                     |
| Support Services                        | 356                         | 265                        | 0                              | 0                  | 0                    | 0                                  | 265                        |
| Capital Charges                         | 89                          | 109                        | -9                             | 0                  | 0                    | 0                                  | 100                        |
| <b>Total Expenditure</b>                | <b>36,410</b>               | <b>32,314</b>              | <b>-9</b>                      | <b>0</b>           | <b>4,245</b>         | <b>-25</b>                         | <b>36,526</b>              |
| Government Grants                       | -6,050                      | -4,027                     | -2,000                         | 0                  | 0                    | 0                                  | -6,027                     |
| Fees and Charges                        | -17,723                     | -17,461                    | 0                              | 0                  | 0                    | 0                                  | -17,461                    |
| <b>Total Income</b>                     | <b>-23,773</b>              | <b>-21,488</b>             | <b>-2,000</b>                  | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-23,488</b>             |
| <b>Net Expenditure before Recharges</b> | <b>12,637</b>               | <b>10,826</b>              | <b>-2,009</b>                  | <b>0</b>           | <b>4,245</b>         | <b>-25</b>                         | <b>13,038</b>              |
| Recharges – Other                       | -88                         | -847                       | 0                              | 0                  | 0                    | 0                                  | -847                       |
| <b>Net Recharges</b>                    | <b>-88</b>                  | <b>-847</b>                | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-847</b>                |
| <b>Net Budget</b>                       | <b>12,549</b>               | <b>9,979</b>               | <b>-2,009</b>                  | <b>0</b>           | <b>4,245</b>         | <b>-25</b>                         | <b>12,191</b>              |

## Customer Experience

The division is responsible for a diverse range of functions including the customer service centre (CSC), customer resolution, Freedom Pass (concessionary travel), registrars and citizenship, coroners and mortuary services and from 1 April 2021, technology and digital services (TDS), while responsibility for temporary accommodation and housing solutions has transferred to the residents services division.

For 2021-22 there has been a windfall saving of £1.557m arising on the Freedom Pass travel scheme as the council's contribution to TfL will be lower following changes in the age eligibility threshold during the current year, but more notably, the impact of coronavirus on projected usage over a three year planning horizon. London Councils currently estimates there will be a further cost reduction in 2022-23 followed by an increase in 2023-24 (tbc). In addition, rationalisation within the contact centre and the 'My Southwark Service Point' (MSSP) will also deliver shared savings of £113k in the general fund. In terms of new commitments, £70k is required to meet the increased contract cost of mortuary service provision.

The council is currently engaged on a major IT improvement programme involving migrating its data centre and computing environment to the cloud and implementing a revised target operating model (TOM) in both the shared service and the retained Southwark IT team. This is necessary to ensure the council's IT infrastructure and systems are modern, stable, resilient and above all secure, together with delivering initial savings of £207k in 2021-22. In response to the Covid-19 pandemic, the SMART working programme has driven an accelerated transformation to the way the council works, enabling the council's staff to maintain services through working remotely. Subsequently, this programme will be subsumed into the target operating model going forward.

| Activity analysis               | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---------------------------------|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Customer Services               | 1,975                       | 2,054                      | 0                              | 0                  | 0                    | -113                               | 1,941                      |
| Customer Resolution             | 12,681                      | 12,553                     | 0                              | 0                  | 0                    | -1,557                             | 10,996                     |
| Registrars and Citizenship      | 32                          | 50                         | 0                              | 0                  | 0                    | 0                                  | 50                         |
| Coroners and Mortuary           | 435                         | 317                        | 0                              | 0                  | 70                   | 0                                  | 387                        |
| Technology and Digital Services | 13,108                      | 15,888                     | -697                           | 0                  | 0                    | -207                               | 14,984                     |
| <b>Net Budget</b>               | <b>28,231</b>               | <b>30,862</b>              | <b>-697</b>                    | <b>0</b>           | <b>70</b>            | <b>-1,877</b>                      | <b>28,358</b>              |

| Subjective analysis                     | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Employees                               | 4,451                       | 4,564                      | 0                              | 0                  | 0                    | -207                               | 4,357                      |
| Premises                                | 242                         | 418                        | -170                           | 0                  | 0                    | 0                                  | 248                        |
| Transport                               | 33                          | 16                         | 0                              | 0                  | 0                    | 0                                  | 16                         |
| Supplies and Services                   | 9,158                       | 10,647                     | 170                            | 0                  | 0                    | 0                                  | 10,817                     |
| Third Party Payments                    | 298                         | 245                        | 0                              | 0                  | 70                   | 0                                  | 315                        |
| Transfer Payments                       | 12,437                      | 12,311                     | 0                              | 0                  | 0                    | -1,557                             | 10,754                     |
| Support Services                        | 2,292                       | 2,237                      | 0                              | 0                  | 0                    | -113                               | 2,124                      |
| Capital Charges                         | 4,142                       | 5,089                      | -697                           | 0                  | 0                    | 0                                  | 4,392                      |
| <b>Total Expenditure</b>                | <b>33,053</b>               | <b>35,527</b>              | <b>-697</b>                    | <b>0</b>           | <b>70</b>            | <b>-1,877</b>                      | <b>33,023</b>              |
| Government Grants                       | -1,139                      | 0                          | 0                              | 0                  | 0                    | 0                                  | 0                          |
| Other Grants                            | -1,516                      | -1,278                     | 0                              | 0                  | 0                    | 0                                  | -1,278                     |
| Fees and Charges                        | -764                        | -722                       | 0                              | 0                  | 0                    | 0                                  | -722                       |
| <b>Total Income</b>                     | <b>-3,419</b>               | <b>-2,000</b>              | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-2,000</b>              |
| <b>Net Expenditure before Recharges</b> | <b>29,634</b>               | <b>33,527</b>              | <b>-697</b>                    | <b>0</b>           | <b>70</b>            | <b>-1,877</b>                      | <b>31,023</b>              |
| Recharges – HRA                         | -582                        | -579                       | 0                              | 0                  | 0                    | 0                                  | -579                       |
| Recharges – Income                      | -821                        | -2,086                     | 0                              | 0                  | 0                    | 0                                  | -2,086                     |
| <b>Net Recharges</b>                    | <b>-1,403</b>               | <b>-2,665</b>              | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-2,665</b>              |
| <b>Net Budget</b>                       | <b>28,231</b>               | <b>30,862</b>              | <b>-697</b>                    | <b>0</b>           | <b>70</b>            | <b>-1,877</b>                      | <b>28,358</b>              |

## Central Services

Budgets held within this activity are of a department-wide nature including corporate recharges and costs that are not specifically attributable to a particular service, for example, financing and depreciation charges. Other budgets are held centrally as contingency against irregular or exceptional events and in setting the budget a review identified that a modest reduction in the legal services budget of £109k could be achieved, which has no direct service impact. Should the need for one-off legal services arise in future the cost will be met from existing service resources or reserves where appropriate.

| Activity analysis  | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|--------------------|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Strategic Services | 2,699                       | 3,867                      | -157                           | 0                  | 0                    | -109                               | 3,601                      |
| <b>Net Budget</b>  | <b>2,699</b>                | <b>3,867</b>               | <b>-157</b>                    | <b>0</b>           | <b>0</b>             | <b>-109</b>                        | <b>3,601</b>               |

| Subjective analysis                     | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Budget<br>Adjustments<br>£'000 | Inflation<br>£'000 | Commitments<br>£'000 | Savings/Inc<br>Generation<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---|-----------------------------|----------------------------|--------------------------------|--------------------|----------------------|------------------------------------|----------------------------|
| Employees                               | 71                          | 641                        | -66                            | 0                  | 0                    | 0                                  | 575                        |
| Premises                                | -117                        | 254                        | 0                              | 0                  | 0                    | 0                                  | 254                        |
| Transport                               | 2                           | 0                          | 0                              | 0                  | 0                    | 0                                  | 0                          |
| Supplies and Services                   | 0                           | 109                        | 0                              | 0                  | 0                    | -109                               | 0                          |
| Support Services                        | 3,364                       | 3,483                      | -143                           | 0                  | 0                    | 0                                  | 3,340                      |
| Capital Charges                         | 0                           | 0                          | 52                             | 0                  | 0                    | 0                                  | 52                         |
| <b>Total Expenditure</b>                | <b>3,320</b>                | <b>4,487</b>               | <b>-157</b>                    | <b>0</b>           | <b>0</b>             | <b>-109</b>                        | <b>4,221</b>               |
| Fees and Charges                        | 0                           | 0                          | 0                              | 0                  | 0                    | 0                                  | 0                          |
| <b>Total Income</b>                     | <b>0</b>                    | <b>0</b>                   | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>0</b>                   |
| <b>Net Expenditure before Recharges</b> | <b>3,320</b>                | <b>4,487</b>               | <b>-157</b>                    | <b>0</b>           | <b>0</b>             | <b>-109</b>                        | <b>4,221</b>               |
| Recharges – HRA                         | -621                        | -620                       | 0                              | 0                  | 0                    | 0                                  | -620                       |
| <b>Net Recharges</b>                    | <b>-621</b>                 | <b>-620</b>                | <b>0</b>                       | <b>0</b>           | <b>0</b>             | <b>0</b>                           | <b>-620</b>                |
| <b>Net Budget</b>                       | <b>2,699</b>                | <b>3,867</b>               | <b>-157</b>                    | <b>0</b>           | <b>0</b>             | <b>-109</b>                        | <b>3,601</b>               |

## Housing Revenue Account (HRA)

The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the council's housing stock, offset by tenant rents and service charges, homeowner service charges and other income.

Whilst there is no statutory requirement to consult, the council is committed to engaging with tenants and homeowners, as defined under the terms of the Tenancy Agreement. The HRA budget setting process commences with an indicative report to cabinet in early December each year setting out the proposed budget commitments, changes to rents and service charges and savings required to enable a balanced budget to be set as required by law. This is followed by stakeholder consultation and then final approval by cabinet in late January, which enables statutory notification of rent variations to take place before the new rent year commences in April.

Whilst the funding regimes for the HRA and general fund are different, the budget principles and requirement for continuous improvement and delivery of savings hold true for both. Savings are focused on back-office and overhead functions and rationalising/modernising the way the council works to drive out greater efficiencies. Budget re-profiling and re-direction provide some limited flexibility to target resources to areas of highest priority, particularly support for investment in the housing stock. 2021-22 will see dwelling rents rise in accordance with the government's rent guideline formula of CPI+1%, for the second year since the ending of compulsory rent reductions under the Welfare Reform and Work Act 2016. Inflation and service-driven volume/activity demands along with new commitments give rise to a budget gap of £9.7m, which has been met through a combination of additional rental income, tenant and homeowner service charges, commercial and garage rents and other miscellaneous fees and charges totalling £4.8m and £4.9m of efficiency savings and improved use of resources.

The overarching principle underlying self-financing for the housing revenue account was the generation of revenue resources sufficient to meet the investment needs of the housing stock and repay debt over a thirty-year planning horizon, without ongoing government support. However, the one-off debt settlement did not adequately reflect the financial reality of the council's position at that time and subsequent changes in government policy have served to undermine the financial sustainability of the HRA business plan and fundamentally shift the parameters for long-term investment planning. Whilst the removal of the HRA borrowing cap has alleviated to some extent the arbitrary financial constraints that previously existed, it is not a panacea for unfettered borrowing as the revenue financing costs need to be sustainable over the long-term, and are a fixed cost that reduces the scope for spending on landlord services.

Notwithstanding this, the council has successfully managed to maintain and improve the quality of housing services to residents, committed unprecedented levels of investment in the housing stock and is on track to deliver an initial 2,500 new homes at council rent, as part of the ambitious target of 11,000 new homes. However, moving into 2021-22 and beyond, the council faces the unparalleled challenge of managing the competing needs and priorities of the existing stock, particularly the new and emerging building and fire safety legislative requirements. The renewal and replacement of the ageing heat network and a myriad of other building lifecycle requirements, the reduction in carbon emissions, along with building more new homes and ambitious estate regeneration programmes such as Aylesbury, Tustin, Ledbury and Maydew, the cost of which is significantly greater than can realistically be sustained within the HRA, without leveraging in external funding from sales and/ or greater government funding.

The principal budget movements for 2021-22 are outlined below:

## Housing Revenue Account Summary Budget Analysis

| Division          | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|-------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Asset Management  | 54,750                      | 52,664                     | 0                  | 205                | 4,850                | -317             | 0              | 57,402                     |
| Customer Services | 6,790                       | 7,271                      | 0                  | 55                 | 0                    | -664             | 0              | 6,662                      |
| Central/Exchequer | 109,870                     | 116,650                    | 2,020              | -323               | 427                  | -5,140           | 0              | 113,634                    |
| Rent Income       | -228,958                    | -228,910                   | 0                  | 0                  | 0                    | 0                | -3,137         | -232,047                   |
| Resident Services | 55,029                      | 49,833                     | 0                  | 56                 | 2,428                | -172             | 0              | 52,145                     |
| New Homes         | 682                         | 583                        | 0                  | 0                  | 0                    | -183             | 0              | 400                        |
| Directorate       | 1,837                       | 1,909                      | 0                  | 7                  | 0                    | -112             | 0              | 1,804                      |
| <b>Total</b>      | <b>0</b>                    | <b>0</b>                   | <b>2,020</b>       | <b>0</b>           | <b>7,705</b>         | <b>-6,588</b>    | <b>-3,137</b>  | <b>0</b>                   |

| Employees         | FTE        |
|-------------------|------------|
| Asset Management  | 246        |
| Customer Services | 205        |
| Central/Exchequer | 150        |
| Resident Services | 235        |
| New Homes         | 43         |
| Directorate       | 32         |
| <b>Total</b>      | <b>911</b> |

| Division                       | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|--------------------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Employees                      | 39,070                      | 38,528                     | 2,020              | 631                | 1,128                | -1,303           | 0              | 41,004                     |
| Running Costs                  | 46,940                      | 35,048                     | 0                  | -29                | 1,490                | -70              | 0              | 36,439                     |
| Contingency                    | 6,402                       | 0                          | 0                  | 0                  | 0                    | 0                | 0              | 0                          |
| Grounds Maint./Estate Cleaning | 17,869                      | 17,179                     | 0                  | 0                  | 560                  | 0                | 0              | 17,739                     |
| Repairs and Maintenance        | 50,211                      | 46,312                     | 0                  | -329               | 4,600                | -50              | 0              | 50,533                     |
| Contribution to HIP            | 21,996                      | 27,070                     | 0                  | 0                  | 0                    | 0                | 0              | 27,070                     |
| Corporate Support Costs/SLAs   | 12,533                      | 11,110                     | 0                  | 0                  | 0                    | 0                | 0              | 11,110                     |
| Depreciation                   | 51,409                      | 53,000                     | 0                  | 0                  | 0                    | 0                | 0              | 53,000                     |
| Financing Costs                | 24,728                      | 33,555                     | 0                  | 0                  | 0                    | -3,000           | 0              | 30,555                     |
| Tenant Management Orgs.        | 9,404                       | 6,955                      | 0                  | 0                  | 0                    | 0                | 0              | 6,955                      |
| <b>Total Expenditure</b>       | <b>280,562</b>              | <b>268,757</b>             | <b>2,020</b>       | <b>273</b>         | <b>7,778</b>         | <b>-4,423</b>    | <b>0</b>       | <b>274,405</b>             |
| Rents – Dwellings              | -196,670                    | -193,369                   | 0                  | 0                  | 0                    | -600             | -2,721         | -196,690                   |
| Rents – Non-Dwellings          | -5,908                      | -5,793                     | 0                  | 0                  | 0                    | 0                | 0              | -5,793                     |
| Heating/Hot Water Charges      | -8,905                      | -8,838                     | 0                  | 0                  | 0                    | 0                | 0              | -8,838                     |
| Tenant Service Charges         | -15,421                     | -15,271                    | 0                  | 0                  | 0                    | 0                | -416           | -15,687                    |
| Commission Receivable          | -589                        | 0                          | 0                  | 0                  | 0                    | 0                | 0              | 0                          |
| Homeowners Major Works         | -7,956                      | -11,000                    | 0                  | 0                  | 0                    | 0                | 0              | -11,000                    |
| Homeowners Service Charges     | -23,265                     | -19,835                    | 0                  | 0                  | 0                    | -1,500           | 0              | -21,335                    |
| Interest on Balances           | -744                        | -700                       | 0                  | 0                  | 0                    | 0                | 0              | -700                       |
| Commercial Property Rents      | -8,294                      | -8,275                     | 0                  | 0                  | 0                    | 0                | 0              | -8,275                     |
| Fees and Charges               | -5,921                      | -2,378                     | 0                  | -273               | 0                    | -179             | 0              | -2,830                     |
| Capitalisation                 | -1,319                      | 0                          | 0                  | 0                  | 0                    | 0                | 0              | 0                          |
| Recharges                      | -5,570                      | -3,298                     | 0                  | 0                  | -73                  | 114              | 0              | -3,257                     |
| <b>Total Income</b>            | <b>-280,562</b>             | <b>-268,757</b>            | <b>0</b>           | <b>-273</b>        | <b>-73</b>           | <b>-2,165</b>    | <b>-3,137</b>  | <b>-274,405</b>            |
| <b>Net Budget</b>              | <b>0</b>                    | <b>0</b>                   | <b>2,020</b>       | <b>0</b>           | <b>7,705</b>         | <b>-6,588</b>    | <b>-3,137</b>  | <b>0</b>                   |

## Divisional Budget Analysis

| Asset Management                | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|---------------------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Investment and Asset Management | 915                         | 1,033                      | 0                  | 244                | 0                    | -232             | 0              | 1,045                      |
| Engineering Services            | 21,614                      | 22,000                     | 0                  | -86                | 1,400                | -69              | 0              | 23,245                     |
| Repairs and Planned Maintenance | 32,221                      | 29,631                     | 0                  | 47                 | 3,450                | -16              | 0              | 33,112                     |
| <b>Total</b>                    | <b>54,750</b>               | <b>52,664</b>              | <b>0</b>           | <b>205</b>         | <b>4,850</b>         | <b>-317</b>      | <b>0</b>       | <b>57,402</b>              |

| Customer Services           | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|-----------------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Customer Resolution         | 2,062                       | 1,990                      | 0                  | 19                 | 0                    | -15              | 0              | 1,994                      |
| Customer Service Centre     | 3,939                       | 4,506                      | 0                  | 16                 | 0                    | -478             | 0              | 4,044                      |
| SMART                       | 446                         | 0                          | 0                  | 0                  | 0                    | 0                | 0              | 0                          |
| Head of Customer Experience | -1,814                      | -1,779                     | 0                  | 5                  | 0                    | 114              | 0              | -1,660                     |
| My Southwark Homeowners     | 1,293                       | 1,637                      | 0                  | 4                  | 0                    | -171             | 0              | 1,470                      |
| My Southwark Service Points | 864                         | 917                        | 0                  | 11                 | 0                    | -114             | 0              | 814                        |
| <b>Total</b>                | <b>6,790</b>                | <b>7,271</b>               | <b>0</b>           | <b>55</b>          | <b>0</b>             | <b>-664</b>      | <b>0</b>       | <b>6,662</b>               |

| Central/Exchequer           | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|-----------------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Carry Forward               | 1,921                       | 0                          | 0                  | 0                  | 0                    | 0                | 0              | 0                          |
| Heating Account             | 12,002                      | 8,298                      | 0                  | 0                  | 0                    | 0                | 0              | 8,298                      |
| Thames Water                | -355                        | 442                        | 0                  | 0                  | 0                    | 0                | 0              | 442                        |
| Commercial Properties       | -6,072                      | -7,644                     | 0                  | 0                  | 0                    | 0                | 0              | -7,644                     |
| Major Projects              | 5,963                       | 7,400                      | 0                  | 0                  | 0                    | 0                | 0              | 7,400                      |
| General Holding Account     | 4,350                       | 2,629                      | 0                  | 0                  | 0                    | 0                | 0              | 2,629                      |
| Financing                   | 74,237                      | 86,105                     | 0                  | 0                  | 0                    | -3,000           | 0              | 83,105                     |
| Reserves and Provisions     | 4,433                       | 6,245                      | 2,020              | -461               | 0                    | -600             | 0              | 7,204                      |
| Revenue Contribution to HIP | 21,671                      | 19,670                     | 0                  | 0                  | 0                    | 0                | 0              | 19,670                     |
| CSCs/ SLAs                  | 11,263                      | 11,615                     | 0                  | 0                  | 0                    | 0                | 0              | 11,615                     |
| Exchequer Services          | -19,543                     | -18,110                    | 0                  | 138                | 427                  | -1,540           | 0              | -19,085                    |
| <b>Total</b>                | <b>109,870</b>              | <b>116,650</b>             | <b>2,020</b>       | <b>-323</b>        | <b>427</b>           | <b>-5,140</b>    | <b>0</b>       | <b>113,634</b>             |

| Rent Income                   | 2019-20<br>Outturn<br>£'000 | 2020-21<br>Budget<br>£'000 | Inflation<br>£'000 | Financing<br>£'000 | Commitments<br>£'000 | Savings<br>£'000 | Rents<br>£'000 | 2021-22<br>Budget<br>£'000 |
|-------------------------------|-----------------------------|----------------------------|--------------------|--------------------|----------------------|------------------|----------------|----------------------------|
| Supported Housing Rent Income | -19,066                     | -19,278                    | 0                  | 0                  | 0                    | 0                | 1,671          | -17,607                    |
| Residential Rent Income       | -187,567                    | -187,529                   | 0                  | 0                  | 0                    | 0                | -4,199         | -191,728                   |
| TMO Rent Income               | -16,761                     | -16,308                    | 0                  | 0                  | 0                    | 0                | -609           | -16,917                    |
| Garage Rent Income            | -5,564                      | -5,795                     | 0                  | 0                  | 0                    | 0                | 0              | -5,795                     |
| <b>Total</b>                  | <b>-228,958</b>             | <b>-228,910</b>            | <b>0</b>           | <b>0</b>           | <b>0</b>             | <b>0</b>         | <b>-3,137</b>  | <b>-232,047</b>            |



| <b>Resident Services</b>           | <b>2019-20<br/>Outturn<br/>£'</b> | <b>2020-21<br/>Budget<br/>£'000</b> | <b>Inflation<br/>£'000</b> | <b>Financing<br/>£'000</b> | <b>Commitments<br/>£'000</b> | <b>Savings<br/>£'000</b> | <b>Rents<br/>£'000</b> | <b>2021-22<br/>Budget<br/>£'000</b> |
|------------------------------------|-----------------------------------|-------------------------------------|----------------------------|----------------------------|------------------------------|--------------------------|------------------------|-------------------------------------|
| Accommodation and Support          | 8,951                             | 5,804                               | 0                          | -20                        | 1,350                        | -68                      | 0                      | 7,066                               |
| Environmental Estate Services      | 19,958                            | 19,903                              | 0                          | 0                          | 450                          | 0                        | 0                      | 20,353                              |
| South Area Management              | 1,839                             | 1,524                               | 0                          | 22                         | 0                            | 0                        | 0                      | 1,546                               |
| North Area Management              | 2,523                             | 2,124                               | 0                          | 20                         | 0                            | 0                        | 0                      | 2,144                               |
| Central Area Management            | 2,858                             | 2,222                               | 0                          | -7                         | 0                            | -104                     | 0                      | 2,111                               |
| Investigations and Support         | 5,934                             | 6,716                               | 0                          | 13                         | 600                          | 0                        | 0                      | 7,329                               |
| Strategy and Performance           | 231                               | 176                                 | 0                          | -30                        | 0                            | 0                        | 0                      | 146                                 |
| Housing Solutions                  | 2,070                             | 2,219                               | 0                          | 58                         | 28                           | 0                        | 0                      | 2,305                               |
| <b>Resident Services Sub-Total</b> | <b>44,364</b>                     | <b>40,688</b>                       | <b>0</b>                   | <b>56</b>                  | <b>2,428</b>                 | <b>-172</b>              | <b>0</b>               | <b>43,000</b>                       |
| Tenant Management Orgs.*           | 9,131                             | 7,339                               | 0                          | -12                        | 0                            | 0                        | 0                      | 7,327                               |
| Resident Involvement*              | 1,534                             | 1,806                               | 0                          | 12                         | 0                            | 0                        | 0                      | 1,818                               |
| <b>Total</b>                       | <b>55,029</b>                     | <b>49,833</b>                       | <b>0</b>                   | <b>56</b>                  | <b>2,428</b>                 | <b>-172</b>              | <b>0</b>               | <b>52,145</b>                       |

\*Services currently delivered/ managed from Communities division within Environment and Leisure department

| <b>New Homes</b> | <b>2019-20<br/>Outturn<br/>£'000</b> | <b>2020-21<br/>Budget<br/>£'000</b> | <b>Inflation<br/>£'000</b> | <b>Financing<br/>£'000</b> | <b>Commitments<br/>£'000</b> | <b>Savings<br/>£'000</b> | <b>Rents<br/>£'000</b> | <b>2021-22<br/>Budget<br/>£'000</b> |
|------------------|--------------------------------------|-------------------------------------|----------------------------|----------------------------|------------------------------|--------------------------|------------------------|-------------------------------------|
| New Homes        | 682                                  | 583                                 | 0                          | 0                          | 0                            | -183                     | 0                      | 400                                 |
| <b>Total</b>     | <b>682</b>                           | <b>583</b>                          | <b>0</b>                   | <b>0</b>                   | <b>0</b>                     | <b>-183</b>              | <b>0</b>               | <b>400</b>                          |

| <b>Directorate</b>            | <b>2019-20<br/>Outturn<br/>£'000</b> | <b>2020-21<br/>Budget<br/>£'000</b> | <b>Inflation<br/>£'000</b> | <b>Financing<br/>£'000</b> | <b>Commitments<br/>£'000</b> | <b>Savings<br/>£'000</b> | <b>Rents<br/>£'000</b> | <b>2021-22<br/>Budget<br/>£'000</b> |
|-------------------------------|--------------------------------------|-------------------------------------|----------------------------|----------------------------|------------------------------|--------------------------|------------------------|-------------------------------------|
| Strategy and Business Support | 1,353                                | 1,417                               | 0                          | 4                          | 0                            | -112                     | 0                      | 1,309                               |
| Directorate                   | 484                                  | 492                                 | 0                          | 3                          | 0                            | 0                        | 0                      | 495                                 |
| <b>Total</b>                  | <b>1,837</b>                         | <b>1,909</b>                        | <b>0</b>                   | <b>7</b>                   | <b>0</b>                     | <b>-112</b>              | <b>0</b>               | <b>1,804</b>                        |