

# The Economy, Housing and the Arts Policy and Accountability Committee Agenda

Monday 28 January 2019 at 7.00 pm  
Committee Room 1 - Hammersmith Town Hall

## MEMBERSHIP

Administration	Opposition
Councillor Rory Vaughan (Chair) Councillor Zarar Qayyum Councillor Rowan Ree Councillor Ann Rosenberg	Councillor Adronie Alford

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Date Issued: 18 January 2019

# The Economy, Housing and the Arts Policy and Accountability Committee Agenda

28 January 2019

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London Borough of Hammersmith & Fulham

## The Economy, Housing and the Arts Policy and Accountability Committee Minutes



Tuesday 4 December 2018

### **PRESENT**

**Committee members:** Councillors Rory Vaughan (Chair), Zarar Qayyum, Rowan Ree, Ann Rosenberg and Adronie Alford

**Officers:** Joanne Woodward (Chief Planning and Economic Development Officer), Thomas Dodd (Arts Development Officer)

**Others:** Hanna Whiteman (Studio Hanche), Nora Laraki (Hammersmith United Charities), Rosie Whitney-Fish - Dance West, Nicola Price - Fulham Palace Org, Petrea Owens – Chair of the HF Arts Fest, Flora Herberich – HF Arts Fest Producer.

### 1. **APOLOGIES FOR ABSENCE**

Apologies for absence were provided by Councillors Lisa Homan and Andrew Jones and Sylvain Malburet from Bush Theatre.

### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

### 3. **MINUTES**

The minutes of the meeting held on 17 September 2018 were agreed as an accurate record subject to the amendment that Councillor Lisa Homan had submitted her apologies and was not present at the meeting.

#### 4. ARTS COMMISSION 2018/19

Joanne Woodward, Chief Planning Officer and Economic Development Officer, Growth and Place, introduced the report which explained that it was the Council's intention to establish an independent Arts Commission in 2019. The aim of the Commission was to maximise the Boroughs' collective arts and cultural strengths to deliver economic prosperity to the Borough.

Providing context, Joanne Woodward explained that The Commission would build on the vision outlined in the Council's Art Strategy, *The Connected Borough* (2016), refreshing the strategy and making practical steps to ensure that its goals were achieved under its three core themes of: Destination, Creation and Inclusion.

The report provided details on the activities of the Commission's steering team. It was noted, that to date, the steering team had assembled a Committee Panel which comprised of representatives from the borough's cultural institutions, local practitioners and expert witnesses from inside and outside the borough. The Committee were informed that this would be led by Jonathan Church (Independent, Director) and comprise of four other members.

Joanne Woodward explained the intention of the Commission was to meet for approximately six sessions and explore a number of themes which were likely to include:

1. Scope of vision and visioning session.
2. Destination - Infrastructure, Financial investment and sustainability.
  - a) Infrastructure - what do we have to do to make this work?
  - b) Financial investment - subsidy being replaced with sponsorship and commercial investment.
3. Sustainability, audience inclusion and investment, cross fertilisation of expertise and knowledge.
4. Creation - Anchor Institutions and Arts Trust  
Who are the key players? How do we strengthen partnerships? What will the Arts trust look like, why establish one and what outcomes do we want to achieve?
5. Inclusion - ArtsFest, Irish Cultural Centre, Offenders Theatre Company, all other community arts organisations.
6. Encapsulation - A final session to run through research undertaken and outline the way forward.

The Committee was provided with details of the draft timetable for the Commission. The Commission would determine its own programme scope and timetable. It was anticipated that the Commission would be delivered in three distinct phases. Phase 1, taking place throughout December 2018 sought to establish the Arts & Culture Commission, agree Panel Members and expert witnesses and also the Terms of Reference. Phase 2, January to the summer of 2019 would entail the holding of Arts and Culture Panel sessions, meetings and consultations. Finally, Phase 3 would see the publication of the Commission's report in September 2019. The Committee

were informed that the Commission was expected to report to meet the following objectives:

- Investigate how arts and culture can be harnessed to deliver tangible economic benefits to the borough by making our town centres destinations of choice, raising the borough's profile.
- Developing a strategy as to how arts and culture can be best used to attract and retain businesses and skilled employees.
- Harness the arts within our developing science, technology, engineering and maths (STEM) sectors to integrate the borough's creators into multi-disciplinary fields (STEAM).
- Explore how planning, licensing, enforcement and other public policies can support the creative economy and town centre growth in Hammersmith & Fulham.

Concluding her initial remarks, Joanne Woodward underlined the Arts Commission was still at a very early, formative stage, and she reassured the Committee, that there would be plenty of opportunity for residents and Arts groups to provide their views and feed into the work of the Commission .It was noted that the first meeting of the Commission would take place in January 2019 and the Committee were encouraged to provide feedback and any suggestions it might have, so these could be considered prior to the initial meeting.

Councillor Zarar Qayyum noted the Commission's intention to publish its report in September 2019 and asked if officers had contacted the business community, as the development of the Arts and economic development were inter-related. In response, Joanne Woodward confirmed that overtures were currently being made and further work would take place in the New Year. Councillor Zarar Qayyum asked if there would be representation from the local business community on the Commission. In response, Joanne Woodward explained that the Commission is expected to draw on an Expert Panel of Witnesses which would include representatives from a wide cross section of the community including the business community.

A number of representatives from Arts groups attended the meeting and the Chair invited them to ask questions and participate in the meeting.

Petrea Owens, Chair of the HF Arts Fest, commented that the composition of the Arts Commission was too narrow and was not broad enough to adequately represent the views of the community. Councillor Zarar Qayyum concurred with this view. Petrea Owens asked who had made the decision about the composition of the Committee panel. In response, Joanne Woodward confirmed that, as far as she was aware, the panel had been selected by the Cabinet Member for the Arts and Economic Regeneration in conjunction with the Director for Growth and Place. Other decision makers might have been involved but she needed to check who had been involved in the selection process.

**Action: Joanne Woodward to check and confirm which decision takers had appointed the Arts Commission, Committee panel.**

Commenting on the officer report, Councillor Adronie Alford stated that this was far too brief and did not contain sufficient material information about the Committee panel, given its important role in steering the work of the Commission. She noted that details such as the Panels' CV's, areas of expertise and interests (within specific fields of the Arts) were unknown. Councillor Adronie Alford also asked for details to be provided about the selection process of the Committee panel and how rigorous this had been.

**Action: That Joanne Woodward provide further information about the Arts Commission membership: including the backgrounds of the Committee panel members and the selection process.**

Commenting on the discussions to this point, the Chair confirmed it was important the PAC Committee provided its views on a number of issues, including: the balance and composition of the Commission, the types of expert witnesses the panel would be inviting, as well as the thematic approach (already outlined).

Councillor Ann Rosenberg noted that the composition of the Committee panel was weighted in favour of the visual and performing arts and no music representative had been included. Speaking from her own personal experience, she commented it was important there were sufficient performing arts venues and consideration was given to where these were located. In response, Joanne Woodward confirmed that as part of the Art Commission's work, a borough wide audit of performance venues would be undertaken. Asking a supplementary question, Councillor Ann Rosenberg noted that there did not appear to be any performance spaces for small, intimate events and suggested this was something that needed to be considered. In response, Joanne Woodward confirmed that session two, of the six designated sessions, would look at infrastructure and service provision, as well as, those actions which needed to be undertaken to attract patrons to specific venues.

Councillor Ann Rosenberg referred to the annual Hi-Fi Show which was held in the Novotel hotel in Hammersmith and the importance of linking live music and business together. She explained that she was aware there had been difficulties which had prohibited advertisements being erected at street level to publicise the event and commented that more had to be done in the future to maximise these opportunities.

A resident in attendance, highlighted it was vital the Arts Commission incorporated the findings of the recent Older People's and Disability commissions, to ensure that existing research and feedback was used to inform the work of the Arts Commission. Flora Herberich, HF Arts Fest Producer, commented on the structure of the Commission and noted that the only business representation came from Westfield. The Committee agreed that the role and contribution of small independent businesses needed to be recognised. Asking a supplementary question, she noted the timetable suggested a report would be published in nine-months time and asked what

the outcomes of the report would be and what the ultimate goals of the Arts Commission were.

Hanna Whiteman, Studio Hanche, provided details of her work with children and residents in the borough. She asked what steps the Arts Commission was taking to ensure it was as inclusive, befitted the wider community (in relation to outreach work) and targeted as many people as possible.

Councillor Rowan Ree highlighted that young people had not been included in the six sessions and it was essential that Schools and youth groups were integral to the work of the Commission.

**Action: The PAC Committee agreed that the evidence gathering sessions of the Arts Commission needed to include young people and harness their enthusiasm.**

In response, Joanne Woodward confirmed that one of the sessions, would specifically cover inclusion, as well as the ways and means to improve this.

Developing the theme of the consultation process further, Petrea Owens, championed the work already being done by Arts Fest, including its efforts to ensure its work was as inclusive as possible. She reiterated a number of the previous remarks and asked who had chosen the structure of the evidence gathering sessions, as well as what criteria would be applied to the evidence which had been gathered. In response, Joanne Woodward assured the Committee and those present, that the Commission was intended to be an open and independent process and there was no intention to exclude any groups from contributing to the process.

Councillor Rowan Ree asked what type of support the Council would be providing to the Commission. In response, Joanne Woodward, confirmed that the Commission would receive similar support to the Council's previous Commissions. This would include Corporate Communications to highlight the evidence gathering sessions and advise residents and businesses how they could participate directly or submit their views. In addition, it was noted that Thomas Dodd, Arts Development officer, would play an active role in supporting the work of the Commission. The intention was for the first evidence gathering session to be held in the Town Hall, but moving forwards, it was likely that it might hold sessions at other venues throughout the Borough to increase access to participants. Councillor Ann Rosenberg asked how the venues allocations policy worked. In response, Thomas Dodd explained that at present, the allocations worked on an ad hoc basis and aspiration was that the work of the Commission would take a strategic view and pull a variety of options together. He confirmed that venues, venue hire and the Council's allocations policy are expected to be covered as part of the Arts Commission Work.

Councillor Ann Rosenberg noted that Sands End would have a Community Centre soon, which incorporated an arts room and enquired whether it was the Council's intention to use existing (and new) resources in innovative ways to help arts and culture flourish in the borough in the future. Petrea Owens

provided details about how many meeting Arts Fest held per year, its role in matching artists with venues, as well as its outreach activities. The Chair asked what the best methods were to ensure that communication across the Borough was taking place about the work of the Arts Commission. In response, Petrea Owens explained that had Arts Fest know about the Commission sooner, it could have played an active role in advertising it. The Chair agreed that it was essential the Arts Commission was brought to the attention of as wider demographic as possible and Arts Fest should be used as one of a number of means for doing this.

**Action: That HF Arts Fest be used as an active partner to aid the work of the Arts Commission.**

Hanna Whiteman, Studio Hanche, highlighted the number of derelict buildings in Goldhawk Road, as well as the community halls on the estates and the opportunities these presented to house arts activities. She explained how her dance group had been in contact with an organisation called “New Think” (which allowed for the temporary use of buildings) so that music, exhibitions and workshops could be staged. Petrea Owens mentioned that the Riverside building which had been used during the 2018 Arts Fest over 9 days, had accommodated over 100 artists. Given the suggestions the Committee had heard, the Chair stated that it was important these ideas were not lost. In response, Joanne Woodward confirmed that the it was still very early days and the Council had not yet started its engagement phase, which was timetabled to begin after Christmas. Joanne Woodward confirmed that the Council had an arts database, would use an active press campaign, as well as a variety of social media platforms to engage and invite various groups to the witness and evidence gathering sessions. There was also the expectation the Arts Commission would request that the Council wrote to specific people and organisations on its behalf.

Councillor Ann Rosenberg noted that Phase 1 was due to be completed by the end of December 2018 and asked if this needed to be extended. In response, Joanne Woodward confirmed that the engagement would take place throughout the duration of the Arts Commission.

The Committee agreed that moving forwards, it was important the Arts Commission embraced diversity, different cultures and accessibility. Thomas Dodd highlighted that an aspect of the Commission’s role was to revisit the Council’s intention to form an Arts Trust. However, while it was important the Commission captured previous conversations, the Chair said that it was important it did not plough over old ground.

Commenting on the envisaged timetable for the Arts Commission, Councillor Adronie Alford stated that she thought it was not realistic the scoping could be completed before the end of December 2018. Councillor Adronie Alford reiterated that she thought the Commission’s panels were too small, its remit too narrow and highlighted that its work programme only covered the performing arts. She stated it was important the Arts Commission recognised Arts were for everybody.

Councillor Adrione Alford asked if Councillors would be provided with a list of persons to involve with the Arts Commission and stated that officers needed to ensure they drew on the valuable insight and knowledge that local ward councillors could provide. In response, Joanne Woodward confirmed that communication lists would include Councillors and the networks within their own wards. Officers recognised that it was important the Arts Commission involved as many groups as possible.

Developing the theme of communications further, Petrea Owens appreciated that it was impossible for the Council to meet with all interested parties and suggested that the Council could work in partnership with Arts Fest. If this approach was agreed then stronger communications between both organisations were required.

Councillor Zarar Qayyum asked that officers would ensure the Arts Commission's recommendations dovetailed with the economic growth strategy.

Petrea Owens asked whether the Arts Commission had a terms of reference to refer to. In response, Joanne Woodward confirmed that this was being developed at present and would inform the future sessions in the new year.

Summing up, the Chair said that the role of the PAC Committee had been to establish what the plan of action was and to comment on this and to determine if this was the right plan and engaging the right groups.

Thanking the witnesses who had attended the meeting, the Chair confirmed that a number of important themes had emerged. These were:

Engagement – It was important the Council worked with HF Arts Fest and others to establish a database of arts partners and organisations throughout the Borough, as well as ensure the Arts Commission was as inclusive as possible.

The Membership of the Commission – The Committee noted its small size and felt there was scope for further members to be added to make it more rounded and diverse.

The Broader Community – Discussions were needed to ensure residents were engaged and it was sufficiently diverse.

Big Business (Westfield were already on the Commission) – The role of small businesses should not be overlooked.

Young People – The Committee stated that it was essential young people were actively involved.

The Arts Commission and partnership working with the Council – The Committee hoped the Arts Commission would work in partnership the Council, businesses and dovetail with the Council's economic objectives.

The Arts Offer – The Committee agreed this was especially important as it drew people into the borough.

Communications and links with other people – The Committee agreed it was important that a contact point for expert witnesses was established early on to enable the Commission to invite expert witnesses.

The Chair concluded the item by thanking the arts representatives and residents who had attended the meeting and commented that he, and the Committee looked forward to seeing the work of the Arts Commission in 2019.

## 5. **WORK PROGRAMMING 2018/19**

The Chair introduced the item. Ideas for future meetings included the Council's Fire Safety Plus programme and broadband rollout in the borough. Committee Members were encouraged to contact the Chair with any potential topics they might have.

Meeting started: 7.00 pm  
Meeting ended: 8.20 pm

Chair .....

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	<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>THE ECONOMY, HOUSING AND THE ARTS POLICY AND ACCOUNTABILITY COMMITTEE</b></p> <p align="center"><b>28<sup>th</sup> JANUARY 2019</b></p>
<p><b>2019 Medium Term Financial Strategy (MTFS)</b></p>	
<p><b>Report of the Cabinet Member for Finance and Commercial Services</b></p>	
<p><b>Report Status:</b> Open</p>	
<p><b>Classification:</b> For review and comment.</p>	
<p><b>Key Decision:</b> No</p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Director:</b> Jo Rowlands – Strategic Director for Growth and Place Mike Clarke – Tri Borough Director for Libraries and Archives</p>	
<p><b>Report Authors:</b> <u>Corporate Overview</u> Hitesh Jolapara – Strategic Director, Finance and Governance Emily Hill – Assistant Director, Corporate Finance <u>Department Comments</u> Danny Rochford – Head of Finance, Finance and Governance, responsible for Growth and Place Ian Thomas – Finance Manager, Tri Borough Libraries and Archives</p>	<p><b>Contact Details:</b> Tel: 020 8753 3145 E-mail: emily.hill@lbhf.gov.uk  Tel: 0208 753 4023 E-mail: danny.rochford@lbhf.gov.uk  Tel: 0207 641 1130 E-mail: ithomas@westminster.gov.uk</p>

## 1. EXECUTIVE SUMMARY

- 1.1. Cabinet will present their revenue budget and council tax proposals to Budget Council on 27<sup>th</sup> February 2019. A balanced budget will be set in accordance with the Local Government Finance Act 1992.
- 1.2. This report sets out the budget proposals for the services covered by this Policy and Accountability Committee (PAC). An update is also provided on any proposed changes in fees and charges.
- 1.3. The Council is entering into the 10<sup>th</sup> year of government-imposed austerity. This year's reduction in government investment is £3.5m,

meaning a total reduction of £73m (a real terms reduction of 59% from government).

- 1.4. Government resource assumptions, that are used to calculate Government grant for the London Borough of Hammersmith & Fulham (LBHF), model the Council increasing council tax by 3% in 2019/20. Council Tax has not increased in LBHF in recent years and was last reduced in 2015/16, bringing it to its lowest level since 2002/03. Over the last four years the Band D charge of £727.81 has reduced by 8.4% in real terms and is 34% lower than the London average of £1,112.
- 1.5. The government has modelled an adult social care precept since 2016/17. Government funding modelling assumes that this has been applied despite LBHF choosing not to apply it over recent budgets. Due to the continued high levels of inflation in the social care market and the Government's continued failure to propose a long-term funding solution to social care funding, for the first time the Council proposes to allow 2% of the government's adult social care levy for 2019/20. This compares to the 8% precept assumed, by the government, over the four years to 2019/20.
- 1.6. In accordance with the administration's policy of keeping the council tax low while protecting and improving services, the Council's budgeted council tax increase is restricted to an inflationary increase of 2.7%. This is pegged to the August 2018 increase in the Consumer Price Index and below the August Retail Price Index increase of 3.5%.

## 2. RECOMMENDATIONS

- 2.1. That the Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.
- 2.2. That the PAC considers the proposed changes to fees and charges and makes recommendations as appropriate.

## 3. THE BUDGET GAP

- 3.1. The 2018/19 gross General Fund budget<sup>1</sup> is £560m of which the **net budget requirement of £151.8m** is funded from council resources (such as council tax and business rates) and general government grant.

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<sup>1</sup> Figures exclude capital charges and internal service level agreements. These have a net nil impact on the budget.

**Table 1 - 2018/19 Budget requirement**

<b>Budgeted Expenditure</b>	£'m
Housing Benefit Payments	145
Departmental Budgets	415
<b>Gross Budgeted Expenditure</b>	<b>560</b>
Less:	
Specific Government Grant (including housing benefits and dedicated schools grant)	(272)
Fees and charges	(65)
Contributions (e.g. health, other boroughs)	(49)
Other Income (e.g. investment interest, recharges to the Housing Revenue Account)	(22.2)
<b>Net Budget Requirement</b>	<b>151.8</b>

- 3.2. For 2019/20 the forecast budget gap, before savings, is £10.3m, rising to £48.6m by 2022/23. The budget is based on several key assumptions regarding resources and expenditure.

**Table 2 - Budget Gap Before Savings**

	2019/20	2020/21	2021/22	2022/23
	£'m	£'m	£'m	£'m
<b>Base Budget</b>	<b>151.8</b>	<b>151.8</b>	<b>151.8</b>	<b>151.8</b>
Add:				
- Cumulative Inflation (includes pay)	3.0	8.2	13.4	18.6
- Cumulative headroom	0.0	6.0	12.0	18.0
- Growth	10.8	10.7	10.4	10.4
<b>Budgeted Expenditure</b>	<b>165.6</b>	<b>176.7</b>	<b>187.6</b>	<b>198.8</b>
Less:				
- Government Resources	(15.2)	(10.4)	(9.9)	(9.4)
- Business Rates	(74.2)	(75.6)	(77.1)	(78.6)
- Forecast 2018/19 100% Business Rates Growth Pilot Surplus	(2.0)			
Council Tax & Collection Fund Surplus	(59.4)	(59.8)	(60.4)	(61.0)
Adult Social Care Precept	(1.2)	(1.2)	(1.2)	(1.2)
- Use of Developer Contributions	(3.3) *	(3.3) *	0.0	0.0
<b>Budgeted Resources</b>	<b>(155.3)</b>	<b>(150.3)</b>	<b>(148.6)</b>	<b>(150.2)</b>
<b>Cumulative Budget Gap Before Savings</b>	<b>10.3</b>	<b>26.4</b>	<b>39.0</b>	<b>48.6</b>

\* The Base Budget also includes funding of £1.7m from developer contributions for enhanced policing.

## Budget Assumptions

- 3.3. Grant funding has been cut in each year since 2010/11. The total reduction since April 2010 to April 2019 has been £73m. This is a cash terms reduction of 47% and real terms reduction of 59%. Funding is forecast to reduce by a further 5% per annum from 2020/21 onwards with no continuation of new one-off funding of £4m received in 2019/20.
- 3.4. **An adult social care precept** of 2% is modelled for 2019/20. This will generate additional income of £4.6m over 4 years and £1.15m in the first year. The Council is committed to use such funding to support adult social care. The 2019/20 budget proposals include provision of £4.1m for adult social care spend pressures and inflation. Part of these pressures will be met from increased better care funding grant of £1.8m and winter pressures grant of £0.9m.
- 3.5. **An inflationary Council Tax** increase of 2.7% is modelled for 2019/20. A 2.7% increase will generate additional income of £6.3m over 4 years and £1.56m in the first year. This will add £19.65 per annum (5.4p per day) to the Band D Council tax charge. Council tax will remain the third lowest in the country.
- 3.6. **The business rates system will change** for a third successive year. A rates revaluation in 2017/18 was followed by a pilot 100% rates retention scheme (for any growth in business) for London in 2018/19. Government has decided to reduce this to a 75% retention pilot in 2019/20.

**Table 3 – Business Rates Retention Scheme**

Business Rates Retained:	Proportion of Rates Income		
	2017/18	2018/19	2019/20
Hammersmith & Fulham	30%	67%	48%
Greater London Authority (GLA)	27%	33%	27%
Government	33%	0	25%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 3.7. London Local Government worked to take forward a 100% business rates retention pilot for London from April 2018. This pools business rates across the 33 London Boroughs and GLA. Under this arrangement London keeps 100% of any growth in business rates, though business rates valuations and levels are still set by Government. Updated mid-year modelling identifies a one-off benefit to LBHF of £2.0m from the pool and this is included in 2019/20 forecast resources. Final figures will be confirmed in September 2019.

- 3.8 For 2019/20 the government has ended the 100% pilot. London Local Government has negotiated a new pilot, however the imposition by Central government of a 75% pilot will reduce the benefits to the London Boroughs and GLA. Indicative modelling suggests a one-off benefit for LBHF of £1.2m. This modelling is based on an aggregation of high level estimates and before Boroughs have submitted detailed 2019/20 figures. The actual benefit will not be confirmed until September 2020. This sum is not taken account of within the 2019/20 budgeted resources.
- 3.9 Under the 75% pilot LBHF potentially receives a share of London's future business growth. The pilot arrangements also require compensating adjustments in other funding streams.

**Table 4: Changes to 2019/20 Funding Streams from the 75% Business Rates Pilot**

	No-Pilot	With Pilot
Business Rates Baseline	76.9	123.0
Tariff payable to the Government	16.1	45.0
Funding Baseline	<b>60.9</b>	<b>78.0</b>
Revenue Support Grant	17.1	0
<b>Total LBHF Funding</b>	<b>78.0</b>	<b>78.0</b>
<b>Safety net threshold</b>	<b>73.4</b>	<b>74.1</b>

- 3.10 Table 4 sets out the sum assumed (£78.0m) by the Government in the 2019 Local Government Finance Settlement. In recent years the Council has received less than the assumed sum of business rates due to the impact of rating appeals. A safety net threshold is set which guarantees a minimum income to the Council. A further advantage of the pilot is that this threshold is set at a higher level (by £0.7m).
- 3.11 An updated forecast for business rates will be updated by all boroughs in January 2019. This will provide greater clarity on the LBHF estimate and the potential benefits from the pilot pool arrangements.
- 3.12 The Government are undertaking a 'fair funding' review which will inform the 2020/21 Local Government Finance Settlement. This will impact on how grant and business rates are distributed between authorities. A Green paper is also due on the longer-term funding for adult social care. These changes, combined with current economic uncertainty, add significant risk to the funding forecast beyond 2019/20.
- 3.11 Planning obligations under s.106 of the Town and Country Planning Act 1990 (as amended), known as s.106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of

the impact of development. Property developments have placed increased pressure on council services in recent years.

- 3.14 Legal tests governing the use of s.106 agreements are set out in regulation 122 and 123 of the CIL Regulations 2010 as amended. The tests are:
- Necessary to make the development acceptable in planning terms;
  - Directly related to the development; and
  - Fairly and reasonably related in scale and kind to the development.
- 3.15 Local planning authorities are required to use the funding in accordance with the terms of the individual planning obligation legal agreement. This will ensure new developments are acceptable; benefit local communities and support the provision of local infrastructure. In LBHF there are three broad categories of s.106 contributions received:
- for a specific purpose defined and described in the s106 agreement (such as specific highway works)
  - for a general functional purpose defined and described in the s.106 agreement but with geographical constraints (such as provision of community infrastructure in the White City area)
  - for a general purpose defined and described in the s.106 agreement but with no borough geographical constraints (such as economic development, education purposes, community safety initiatives etc).
- 3.16 Provided the Council respects the obligation to maintain a reasonable relationship with the developments and complies with the specific terms of each of the s.106 agreements giving rise to the funds, the Council has a degree of discretion as to how it allocates and spends some of the general purpose funds. The council has analysed all its s.106 agreements to determine funds with general purposes that can be considered for budgeting purposes. As is usual in these circumstances, many areas of Council activity that have faced increased demand following new developments offer a good fit with the purposes of some of the uncommitted s.106 funds which can therefore be lawfully used to finance such activities.
- 3.17 The 2019/20 budget assumes that £3.3m of expenditure will be funded from s.106 resources. In addition, contributions of £1.7m per annum are assumed towards the provision of enhanced policing. The Council has considered the level of general purposes funds available and has forecast s.106 receipts in hand at the end of 2018/19 of £11m. After estimating future receipts and commitments, including 2019/20 budget commitments, £9.6m is forecast to be in hand at the end of 2019/20. The forecasts are based on assumptions around implementation and completion of planning applications, as approved, the expected time of developments commencing and reaching trigger points. Looking further ahead, the level of uncertainty around trigger points increases and forecasts are less certain.

- 3.18 Inflation. A pay award of 2% per annum has been modelled. Inflation has also been provided, on a case by case basis, to meet contractual requirements.

## **GROWTH, SAVINGS AND RISKS**

- 4.1 The growth and savings proposals for the services covered by this PAC are set out in Appendix 1 with budget risks set out in Appendix 2.

### **Growth**

- 4.2 Budget growth is summarised by Service Area in Table 5.

**Table 5: 2019/20 Growth Proposals**

<b>Service Area</b>	<b>£'m</b>
Children's Services	3.3
Growth & Place	0.1
Public Services Reform	2.6
Social Care	3.6
Council Wide	0.7
Zero Based Budgeting and Service Redesign	0.5
<b>Total</b>	<b>10.8</b>

### **Savings**

- 4.3 The Council faces a continuing financial challenge due to overall Central Government funding cuts, unfunded burdens, inflation, and demand and growth pressures. The budget gap will increase in each of the next three years if no action is taken to reduce expenditure, generate more income through commercial revenue or continue to grow the number of dwellings and businesses in the borough.
- 4.4 To close the budget gap for 2019/20, savings (including additional income) of £10.3m are proposed.

**Table 6: 2019/20 Savings and Additional Income**

<b>Service Area</b>	<b>£'m</b>
Children's Services	(1.3)
Corporate Services	(0.3)
Finance & Governance	(1.6)

<b>Service Area</b>	<b>£'m</b>
Growth & Place	(0.8)
Public Services Reform	(0.8)
Residents' Services	(2.4)
Social Care	(3.1)
<b>Savings</b>	<b>(10.3)</b>

4.5 The saving proposals are categorised by savings area in Table 7.

**Table 7: Categorisation of Savings and Additional Income**

	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>
Business Intelligence	(0.4)	0.0
Budgets realigned with spend and income	(0.2)	(1.8)
Commercialisation	(3.4)	(0.5)
Estate Rationalisation	(0.1)	0.0
Income	(0.5)	(0.1)
Outside investment secured	(0.1)	0.0
Prevention	(1.6)	0.0
Procurement / Commissioning	(5.1)	(1.6)
Service reconfiguration	(3.1)	(4.1)
Staffing / Productivity	(0.9)	(2.2)
<b>Total All Savings</b>	<b>(15.4)</b>	<b>(10.3)</b>

### **Budget Risk and Reserves**

- 4.7 The Council's General Fund gross budget is £560m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key financial risks that face the Council have been identified and quantified. They total £25m. Financial risks of £19.5m were identified when the 2018/19 Budget was set.
- 4.8 The level of balances and reserves are examined each year in light of the medium-term opportunities and risks facing the Authority. The latest reserves forecast to 2021/22 assuming no overspends is set out in Table 8.

**Table 8: Reserves Forecast to 2021/22**

	<b>Opening balance</b>	<b>Budgeted contributions to 2021/22</b>	<b>Commitments to 2021/22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Earmarked reserves	(79.146)	(7.691)	50.267	(36.570)
King Street Decant Costs				27.300
Estimated profit from JV				(11.100)
<b>Forecast earmarked reserves</b>				<b>(20.370)</b>
General balances				(19.004)
Earmarked restricted reserves				(15.583)
<b>Total reserves</b>				<b>(54.957)</b>

- 4.9 The existing commitments include:
- The planned investment of earmarked reserves on council priorities (for example implementing the IT strategy, incentive payments to landlords or managed services implementation).
  - Prudently setting aside amounts to protect against budgetary risks such as the £14m regarding the forecast shortfall in Dedicated Schools Grant for the **High Needs Block**.
  - The existing commitments include £5.4m of planned invest to save investment. The Council is considering capitalising such expenditure in accordance with a Government Regulation on the flexible use of capital receipts. Should such expenditure be capitalised the forecast balance of reserves will increase.
- 4.10 Funding for pupils with **high needs** is provided through Dedicated Schools Grant from government. A recent children's services finance survey showed that London boroughs were spending £78m more than their high needs grant allocation, with 32 out of 33 boroughs reporting a shortfall. For LBHF the cumulative shortfall in funding is forecast to be £14.2m by the close of 2018/19. The Council is developing options for a deficit recovery plan and has contacted the government to discuss funding levels. It is also discussing how this should be treated on the Council's Balance sheet following a consultation by the Education Funding Agency. Pending further clarification, the Council has set aside a reserve to cover the potential deficit.
- 4.11 Looking to the future an anticipated use of reserves is a planned investment of £27.3m in the King Street West Regeneration project with a forecast profit of £11.1m coming back to the Council from the proposed Joint Venture profits. This scheme will be considered at Full Council on 23 January 2019. The Council will benefit from efficiencies in delivering modern, inclusively designed and fit-for-purpose office and civic accommodation for its staff and visitors, as well as for small

and start-up businesses. It also avoids the need for significant capital investment in the existing Town Hall and Town Hall Extension, which in 2017 was estimated at between £29.2 million and £53.5 million for both buildings, depending on the extent of refurbishment works undertaken. These figures exclude professional fees (estimated to be at least £2million to tender stage) and the cost of decanting staff to allow works to take place.

- 4.12 Maintaining reserves and balances at an adequate level is essential to the future financial resilience of the Council. For example, an overspend of £4.5m is forecast in the month 5 Corporate Revenue Monitor. This will be a further call on reserves unless the overspend is tackled by year-end.
- 4.13 Reserves can only be spent once. The forecast to 2021/22 identifies a tightening in the Council's finances that will need careful management and review. Continued focus will be required on keeping spend within budget and avoiding the use reserves to balance future budgets and rebuilding reserves for future investments.

## **5 FEES AND CHARGES**

- 5.1 The budget strategy assumes:
- Social Care charges frozen
  - A standard uplift of 3.5% based on the August 2018 Retail Price Index for other charges
  - Case by case review for commercial services that are charged on a for-profit basis. These will be varied up and down in response to market conditions, with relevant Member approval.
- 5.2 The exceptions for this Committee are set out in Appendix 4.

## **6 2019/20 COUNCIL TAX LEVELS**

- 6.1 The administration proposes to increase the Hammersmith and Fulham's element of 2019/20 Council Tax in line with inflation, by 2.7%. A 2.7% increase will generate additional income of £6.3m over 4 years and annual income of £1.56m and will add £19.65 per annum (5.4p per day) to the Band D Council tax charge. As set out below, 52% of dwellings are liable for 100% council tax with exemptions/discounts for Council Tax Support claimants, students, care leavers and single person households.

**Table 9: Liability for Council Tax**

Total dwellings in the borough	88,700
Reductions:	
Exemptions (mainly students, includes care leavers)	(3,600)
Council tax support claimants (elderly & working age on low income)	(11,200)
Single person discount (25% discount)	(28,200)
<b>Dwellings liable for 100% of Council tax</b>	<b>45,700</b> <b>52%</b>

- 6.2 **An adult social care precept** levy of 2% is budgeted for 2019/20 with a freeze in future years. This will generate additional income of £4.6m over 4 years and £1.15m in 2019/20. This will increase the Band D Council Tax charge by £14.55 (4p per day).
- 6.3 The Mayor of London's draft budget is currently out for consultation and is due to be presented to the London Assembly on 24 January 2019, with final confirmation of precepts on 25 February. The current Band D precept is £294.23.
- 6.4 The change to the LBHF Band D charge is set out in Table 10. The current LBHF Band D charge of £727.81 is 34% lower than the London average of £1,112. The overall Band D charge, including the GLA precept, is the third lowest in the country.

**Table 10: LBHF Band D Council Tax Charge**

2018/19 LBHF Band D charge	£727.81
Proposed 2019/20 Increase of 2.7%	£19.65
Proposed 2% Adult Social Care precept	£14.55
<b>2019/20 Total LBHF Band D charge</b>	<b>£762.01</b>

## **7. Comments of the Strategic Director for Growth & Place**

- 7.1 The Growth & Place department provides services funded by both the Housing Revenue Account and by the General Fund. This report only considers those services provided from General Fund budgets.

### **Housing Revenue Account Budgets**

- 7.2 A separate report on the Financial Plan for Council Homes that set out the 2019/20 Housing Revenue Account budget is also included in this agenda.

- 7.3 The HRA budget enables the Council to deliver services to residents, maintain safe and secure homes, invest in its stock, and develop new affordable homes.
- 7.4 The Financial Plan for Council Homes report is scheduled to go before Cabinet on 4<sup>th</sup> February 2019.

### **General Fund Budgets**

- 7.5 Resources have been focused on:
- the significant challenge of delivering and enhancing front-line services in the face of increasing demand,
  - responding to major changes and constraints on income collection brought about by the Government's programme of Welfare Reform and the Homelessness Reduction Act,
  - establishing a long-term model for delivering temporary accommodation which prevents and relieves homelessness whilst protecting the Council's financial position.

### **Growth**

- 7.6 The Council owns pockets of land which have the potential to be developed for affordable housing. A budget of £100,000 will be made available to fund feasibility studies for one year only.

### **Savings Proposals**

- 7.7 Growth & Place plan to deliver a savings target of £0.779m primarily from the Housing Solutions and Planning divisions:
- **Temporary Accommodation reduction programme and investment in private rented sector properties (£250,000)** – extending the practice of brokering private rented sector accommodation for households faced with homelessness to 300 households over the next two years, reducing temporary accommodation costs.
  - **Housing Solutions staff savings (£141,000)** – realigning resources within the team.
  - **Planning staffing efficiencies (£328,000)** – realigning resources within the team.
  - **Restructure of the Work Matters service and Section 106 substitution (£60,000)** - enabling the delivery of key outcomes for the Council's Industrial Strategy including community outreach to connect residents and school students with the new opportunities arising from the Council's partnership with Imperial College.

## **Risks: Housing Solutions**

- 7.8 The main risks affecting Growth & Place relate to managing the impact of the Government's programme of Welfare Reform:
- the loss of suitable tenancies in the private sector, leading to a risk of increased homelessness and the greater use of expensive temporary accommodation such as Bed & Breakfast (B&B);
  - changes in the temporary accommodation subsidy system, leading to the loss of existing Council-managed temporary accommodation and increased B&B usage;
  - reduced viability for temporary accommodation managed by Housing Associations (HAs), and potential knock-on effects for the authority in providing alternative temporary accommodation;
  - loss of tenancies in the private sector or loss of income in Council managed temporary accommodation arising from the direct payment of benefits to claimants under Universal Credit and the potential risk of increased homelessness and the use of B&B;
  - inflationary pressures on costs due to increased demand for temporary accommodation across London;
  - loss of income for the Council due to the removal of the temporary accommodation management fee from housing benefit subsidy entitlement from April 2017;
  - increase in staffing and procurement costs due to the implementation of the Homeless Reduction Bill which places additional duties on the Council to prevent homelessness.
- 7.9 The potential financial impact can be summarised in the following main areas for Housing Solutions:

### **Direct Lettings Incentive Payments**

- 7.10 To procure accommodation below market rents, the Council must incentivise landlords to let properties to homeless households. Historically the funding of these incentives has been enabled by underspend carry forward requests. The minimum annual cost of £0.6m will need to be funded from the Temporary Accommodation (TA) earmarked reserve. The Homeless Reduction Act places a duty on Councils to provide TA to a previously ineligible client group, placing pressure on the incentive provision. The current incentive amounts are lower than some of the other London boroughs. As a result, landlords are requesting higher incentives and if not agreed, properties are being made available to higher paying authorities.

### **Overall Benefit Cap**

- 7.11 It is anticipated that the risk relating to the Overall Benefit Cap will be up to £0.1m from 2019/20 onwards because of the Government's reduction of the Overall Benefit Cap from a maximum of £26,000 per

annum to £23,000 per annum for single parents and couples with children.

**Universal Credit (UC) and Bad Debts**

- 7.12 The Government’s programme of Welfare Reform is expected to have a significant impact on the Council’s ability to collect rental income and may result in increased bad debt charges. However, from April 2018, new TA benefit claims are no longer subject to Universal Credit and instead, claimants are subject to Housing Benefit subsidy which is paid directly to the Council.
- 7.13 This means that there is a smaller risk that the budgeted bad debt provision will be insufficient from 2019/20. Based on current client numbers in receipt of UC, the predicted risk is £35,000 from 2019/20 onwards.
- 7.14 The financial impact of the remaining tenants on Universal Credit will be in part dependent on the efficacy of DWP in providing accurate and timely electronic information to Housing Solutions.
- 7.15 The Council awaits the Government’s determination on the consultation over any new TA subsidy regime.

**Increase in client volumes and homelessness acceptances**

- 7.16 Recent years have seen increases in client numbers in TA and this trend is expected to continue. After taking account of the mitigating impact of homelessness prevention activities, numbers in Private Sector Leased (PSL) and Bed & Breakfast (B&B) accommodation re expected to drop next year but then increase in future years. The forecast number of clients in TA set out below means there is a risk of further net costs of £0.1m in 21/22 and £0.3m in 22/23.

Risk	March 2019	March 2020	March 2021	March 2022
Forecast number of clients in TA	1,449	1,250	1,300	1,350

- 7.17 There is also a risk that homelessness acceptances will increase in future years due to Government policy. On the assumption that the number of new homelessness acceptances increases by 100 per annum on an ongoing basis is set out below.

Risk	2020/21 £m	2021/22 £m	2022/23 £m
Number of new homelessness acceptances	0.6	1.2	1.8

- 7.18 This risk does not consider the impact on client volumes arising from the Homelessness Reduction Act. LBHF implementation in April 2018 has seen a 137% increase in households approaching the service for housing assistance. Increased staffing resources on prevention has

meant that the increases volumes have not resulted in increased TA placements to date with the TA reduction programme contributing to the reduction in TA households. The full impact of the Homelessness Reduction Act and the subsequent `Duty to Refer` in October 2018 has not been felt, however this resulted in the highest number of referrals received in December since the implementation of the Act in April 2018.

**Loss of Temporary Accommodation (TA) management fee on housing benefit subsidy**

7.19 The Flexible Homelessness Support Grant provided by central Government is currently cushioning the impact of the removal of the management fee for Temporary Accommodation. This, and other related government grants, will diminish and potentially disappear from 2020/21 as Government has not confirmed allocations beyond next year. There is therefore a risk of a loss of income from April 2020 as follows.

Risk	2020/21 £m	2021/22 £m	2022/23 £m
Loss of grant	1.8	1.9	2.0

**Increases in temporary accommodation procurement costs**

7.20 There is a risk of inflationary pressures on costs because of increased demand for temporary accommodation across London. The risk is based on an additional 1.5% increase in costs over and above the inflation already budgeted for in 2019/20 and the impact of a further 1.5% increase for each year is set out below.

Risk	2019/20 £m	2020/21 £m	2021/22 £m
Increase in TA costs	0.3	0.5	0.8

**Keeping families out of Bed & Breakfast accommodation**

7.21 The Council has successfully managed to protect families from being temporarily housed in B&B accommodation for longer than six weeks since October 2015. The increasing demand pressures arising from the Government’s programme of Welfare Reform mean that there is a risk that the Council may face increasing costs to house families at set out below.

Risk	2019/20 £m	2020/21 £m	2021/22 £m
Increase housing families costs	0.2	0.2	0.3

**Homelessness Reduction Act – potential increase in costs**

7.22 This is anticipated to result in the need to place additional households in temporary accommodation. The risk register shows the extra costs if we have an extra 70 homelessness acceptances each year: £0.5m in 2019/20, £0.9m in 2020/21 and £1.4m in 2021/22. However, the numbers may significantly exceed this and the risk may be as high as

£3m a year. The £0.6m the Council has been receiving over a three-year period (the last year is 2019/20) from Government this is unlikely to cover the additional costs.

### **Homelessness prevention and risk mitigation**

7.25 The following activities that will help mitigate these risks are planned:

- An interim structure was implemented to prepare for the Homelessness Reduction Act 2017 to ensure a robust response to the new legislation, ensure legal compliance and greater emphasis on preventing and relieving homelessness. Government New Burdens funding will mitigate against a negative impact on current budgets.
- In light of the current budget pressures in 2018/19, a review of temporary accommodation provision has been carried out looking at opportunities to invest in a private rented sector portfolio and looking at changing the mix of the current temporary accommodation portfolio away from short term monthly to look for longer term ways to mitigate the cost pressures.
- The Social Lettings Agency has delivered increased numbers of private rented accommodation as well as more cost-effective TA. The service offers a tenancy relations service to private landlords as well as other landlord services e.g. Energy Performance Certificates (EPC) to generate income.
- Continuing to use buybacks in the Earl's Court regeneration area for use as affordable in-borough TA.
- Increasing the supply of social and affordable housing is crucial to the success of any strategic approach to managing the TA process. Low turnover in social housing (in common with all of London) has slowed the TA move on process and resulted in more households in TA for longer period – compounding the need for additional TA units. The Council plans to increase affordable housing, reducing pressure on TA budgets by providing permanent lower cost homes through direct delivery, partnership with HAs and working with developers through the planning process.

### **Risks: Planning**

7.26 The inherent volatility of planning income means it is difficult to predict future income due to several factors including:

- Changes to the statutory charging schedule, pre-application fees and Planning Performance Agreement templates
- Economic factors such as Brexit and local and wider market conditions
- Changes in legislation e.g. permitted development rights, Planning Performance Agreement regulation
- Availability of development sites in the borough

- Developers behaviour such as by-passing the pre-application process and responding to housing supply
  - Government schemes to encourage house building
  - Adverse weather conditions.
- 7.27 Formal consultation with staff on the reorganisation which is expected to deliver the Planning staffing efficiencies saving has commenced and is scheduled to be completed by the end of March. The delivery of these savings depends on the successful outcome of this consultation and implementation of the restructure. The new arrangement will be reliant on an increase in the drawdown from Section 106/CIL funds for management and administration costs.
- 7.28 The current practice of invoicing in arrears for Planning Performance Agreements can result in a higher bad debt charge as companies can cease trading after developments complete, making it harder to recover monies owed. The current provision for bad debts is £0.15m compared to a total annual income of circa £3.6m.
- 7.29 There has been a fall in the total number of applications over the course of 2018/19 and this is impacting adversely on projected fee income. This is understood to be due to trends in the wider economy including Brexit and a deterioration in the buoyancy of the housing market. This trend is likely to continue, resulting in shortfalls in income from planning fees. The risk based on the latest forecast is £0.3m.
- 7.30 Other risks include costs producing Supplementary Planning Documents will exceed the budgets and funding available additional. In addition, unbudgeted costs arising from future public enquiries and judicial reviews. In recent years, the cost of judicial reviews and major planning appeals has been met from earmarked reserves but these funds are now exhausted and therefore, there is a risk of an overspend against the budget of £0.3m base on the latest forecast.

**Risk mitigation: Planning**

- 7.31 The following activities that will help mitigate the risks to Planning are planned:
- changing our approach to invoicing for large schemes to bill in advance on a milestone instalment basis, together with the introduction of an improved debt recovery system. Whilst this change is not expected to generate additional income, it will reduce the debt position and bad debt risk;
  - Mayoral CIL - under Regulation 61 of the Community Infrastructure Levy Regulations 2010 (as amended), the Council as a collecting authority can use CIL proceeds to cover administrative expenses incurred in collecting CIL up to specified

limits, currently this is 4% of CIL collected in each year by collecting authorities.

### **Risks: Economic Development and Adult Learning**

- 7.32 The Economic Development service is responsible for the delivery of key elements of the Council's Economic Growth priorities. The service is dependent upon securing Section 106 funding. A paper has been submitted for approval by Cabinet. Should funding not be approved, the risk is £1.2m for each year from 2019/20 onwards.
- 7.33 The Adult Education Budget (AEB) is due to be devolved to the London Mayor in 2019/20 to distribute more equitably to sub-regions across London. There is a risk that the Council will receive less of the AEB allocation following the proposed devolution in 2019/20. The Learner Fees income target in 2019/20 for ALSS is now set at £775,000. However, ALSS income projection from learner fees has been £690,000 for several years so the increase in the target income of £85,000 represents a risk. In 2017/18 and 2018/19, this £85,000 shortfall was covered by the delivery of NHB training programmes. If there is no further NHB funding available in 2019/20 and no other sources of income generation for ALSS then this represents a significant risk.

### **Risks: Growth**

- 7.34 The Council is developing an assets and growth strategy, which will enable the redevelopment of existing non-residential assets to provide new community assets and affordable housing. Each specific scheme will be the subject of separate approvals at Cabinet and Full Council where necessary. If a scheme progresses to development then costs associated with it are capital costs. However, there will be instances of affordable housing related feasibility studies on General Fund land where there is a risk of abortive costs should schemes not be progressed.

### **Risks: Building & Property Management**

- 7.35 The main risk affecting Building & Property Management relates to the potential for repairs and maintenance costs at the Lyric Theatre. This risk is currently estimated at £100,000.

## **8. Comments of the Director of Libraries and Archives**

- 8.1. The Council is committed to keeping its four libraries open for long hours and supporting the community-run libraries. The financial position for 2018/19 has been challenging with difficulties meeting the income target and a reconsideration of the Smart Open programme. The service has mitigated this as much as possible with in-year savings. There has been a focus on commercialisation with Fulham Library now being marketed as a venue for weddings, and space has been leased to Hammersmith

& Fulham law centre at Hammersmith library. Other projects include making the basement of Fulham library available for commercial rent and introducing a fee-generating visa-checking service, both of which are expected to start in early 2019.

### **Growth**

- 8.2. No growth has been requested for Libraries for 2019/20.

### **Savings**

- 8.3. No savings have been put forward for Libraries for 2019/20.

## **9. Equality Implications**

- 9.1. A draft Equality Impact Analysis (EIA), which assesses the impacts on equality of the main items in the budget proposals relevant to this PAC, is attached as Appendix 3. A final EIA will be reported to Budget Council.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of holder of file/copy</b>	<b>Department/ Location</b>
1.	None		

Appendix 1 – Savings and Growth Proposals

Appendix 2 – Risks

Appendix 3 – Draft Equality Impact Assessment

Appendix 4 – Fees & Charges

**Growth & Place**

Financial Strategy Growth		Budget Change			
Service	Description	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Funding of Feasibility Studies on General Fund Land (to see if it can be used to provide Housing)	100	0	0	0
<b>Total Growth</b>		<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial Strategy Savings		Budget Change				
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
<b>Savings</b>						
Planning	Planning staffing efficiencies	Medium	(328)	(328)	(328)	(328)
Housing Solutions	Temporary accommodation - Reduction Programme and investment in Private Rented Sector properties	Low	(250)	(250)	(250)	(250)
Housing Solutions	Housing Solutions staff savings	Low	(141)	(141)	(141)	(141)
Economic Development	Restructure of the Work Matters Service & s106 investment	Low	(60)	(60)	(60)	(60)
<b>Total Savings</b>			<b>(779)</b>	<b>(779)</b>	<b>(779)</b>	<b>(779)</b>

**Growth and Place Risk/Challenges**

Department & Division	Short Description of Risk	Risk			
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)
<b>Growth &amp; Place</b>					
Temporary Accommodation	Overall Benefit Cap	100	100	100	100
Temporary Accommodation	Direct Payments (Universal Credit)	35	35	35	35
Temporary Accommodation	Increase in the number of households in Temporary Accommodation - based on current forecast	-	-	103	289
Temporary Accommodation	Large families in B&B	181	237	294	350
Temporary Accommodation	Loss of Temporary Accommodation Management Fee on Housing Benefit Subsidy - the Flexible Homelessness Support Grant will be received in 2019/20 but Government has not confirmed whether funding will be available from 2020/21 onwards.	-	1,808	1,941	2,007
Temporary Accommodation	Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation	260	524	791	1,063
Temporary Accommodation	Increase in the number of households in Temporary Accommodation - extra 100 each year above current forecast	601	1,202	1,803	2,404
Temporary Accommodation	Homelessness Reduction Act - increase in households in temporary accommodation - extra 70 each year	471	942	1,413	1,883
Temporary Accommodation	Direct Lettings Cost Avoidance payments - risk in future years (the Cost Avoidance payments have be funded from the Temporary Accommodation earmarked reserve in 18/19)	600	600	600	600
EDLS	Inflationary pressures on fees income from Adult Learning courses (3.2% standard inflation rate for FY 19.20) plus ongoing pressure from MTFS savings from FY 16.17 and FY 18.19. The shortfall may be met from reserves and/or NHB subject to availability of funding.	85	unknown	unknown	unknown
EDLS	Devolution of Adult Education Budget to London Mayor	unknown	unknown	unknown	unknown

Department & Division	Short Description of Risk	2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)
EDLS	Economic Development Team activity contingent on Section 106 funding to be approved via Cabinet in early 2019	1,222	1,222	1,222	1,222
EDLS	Shepherds Bush Comedy Festival: potential additional events costs	125	unknown	unknown	unknown
Planning	There is a risk that the costs of current and future work in producing Supplementary Planning Documents will exceed the budgets and funding available.	50	50	50	50
Planning	In recent years, the cost of judicial reviews and major planning appeals has been met from earmarked reserves but these funds are now exhausted and therefore, there is an ongoing risk of an overspend against the budget.	300	300	300	300
Planning	The inherent volatility of planning income means it is difficult to predict future income expectations due to several factors including: <ul style="list-style-type: none"> <li>• Changes to the statutory charging schedule</li> <li>• Economic factors such as the impact on planning activity of Brexit</li> <li>• Changes in legislation e.g. permitted development rights, Planning Performance Agreement regulation</li> <li>• Changes to pre-application charging fees and Planning Performance Agreement templates</li> <li>• Local and wider market conditions</li> <li>• Availability of development sites in the borough</li> <li>• Developers by-passing the pre-application process as it is not compulsory</li> <li>• Government schemes to encourage house building, including grant schemes</li> <li>• Developers' responding to current and pipeline housing supply in borough (they don't want to flood the local market)</li> <li>• Adverse weather conditions</li> </ul>	500	500	500	500
Valuation	Unfunded repairs and maintenance costs at the Lyric Theatre	100	100	100	100
<b>Growth &amp; Place Total</b>		<b>4,630</b>	<b>7,620</b>	<b>9,252</b>	<b>10,903</b>
<b>Libraries Risk/Challenges</b>					
Libraries & Archives	Commercial and SmartOpen savings targets not achieved. There is uncertainty about how the full commercial savings target will be achieved. The high target stems partially from the decision in 2017/18 not to follow a trust model. Additionally the achievement of the SmartOpen savings target from 18/19 requires capital investment.	280	280	280	280
<b>Grand Total</b>		<b>280</b>	<b>280</b>	<b>280</b>	<b>280</b>

## DRAFT Equality Impact Analysis (EIA) of main budget proposals for

### **Growth & Place**

#### **Efficiency Savings**

##### **Planning staffing efficiencies - £0.328m**

This relates to a review of the structure of the Planning service. Wherever possible, any reduction in establishment will be absorbed through natural wastage and existing vacancies. An Equality Impact Assessment will be carried out as part of the reorganisation process.

##### **Temporary accommodation - Reduction Programme and investment in Private Rented Sector properties - £0.250m**

It is not anticipated that there will be any direct negative impact on groups with protected characteristics from the investment in private rented sector leases nor from the piloting of a PRS team.

The Council already has a policy of offering Direct Lets to households that become homeless, as an alternative to Temporary Accommodation. The proposal is to extend this practice by procuring additional Direct Lets and offering them to households already in Temporary Accommodation as a means of exit from Temporary Accommodation. Direct Lets will not be offered to all households, just to households that meet criteria around suitability and affordability (to sustain living in the private rented sector). Applying these criteria, and the possibility of Direct Lets offers, to all homeless households is deemed to be a fairer approach than the current practice of only applying the criteria to households when they first approach the Council.

A crucial safeguard is the fact that the Equality Act 2010 and Homelessness (Suitability of Accommodation) (England) Order 2012 requires the Council to ensure that any property offered must be suitable and takes into account the specific needs of the individual. This incorporates affordability, location, access to relevant services, an individual's ability to travel, etc. The overall potential impact on different protected groups is assessed as neutral.

##### **Housing Solutions staff savings - £0.141m**

This relates to a review of the structure of the Housing Solutions service. Wherever possible, any reduction in establishment will be absorbed through natural wastage and existing vacancies. The impact on residents will be neutral and the impact on employees with protected characteristics is also expected to be neutral. An Equality Impact Assessment will be carried out as part of the reorganisation process.

**Restructure of the Work Matters Service & Section 106 investment - £0.060m**

This restructure will enable the delivery of key outcomes for the Council's Industrial Strategy including community outreach to connect residents and school students with the new opportunities arising from the council's partnership with Imperial College. Focus will be shifted to ways of creating employment within the Tech, STEM, science, digital and creative industries. The new strategy also demands that resources are put into assisting those in working poverty into better paid work via training. This aims to increase social mobility and reduce child poverty.

An Equality Impact Assessment will be carried out as part of the reorganisation process.

DRAFT

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
<b>Private Sector Leasing</b>				
Private Sector Leasing Water Charges	Varies	Varies	Subject to water company increase, expected in January 2019	The charge is determined by the annual increase set by the water companies.
Private Sector Leasing Rent (average per week)	£257.04 as at 22 November 2017	£251.54 as at 24 October 2018	na	Since April 2012, the PSL rent threshold has been based on the January 2011 Local Housing Allowance (LHA). The LHA varies according to changes in market rents, the location of the property and its bedroom size. The threshold formula was 90% of LHA plus £40 and subject to a cap of £500 on Inner London and Outer South West London Broad Rental Market Areas (BRMA) and a cap of £375 on other BRMAs. From April 2017, the £40 was removed from the formula, the new threshold is 90% of January 2011 LHA and subject to a cap of £460 on Inner London and Outer South West London BRMA and a cap of £335 on the other BRMAs. PSL tenants living in a Universal Credit Implementation Area will have their rent threshold based on 100% of the April 2015 LHA. By October 2018, 10% of the Council's PSL tenants were subject to the April 2015 LHA.
<b>Bed and Breakfast Temporary Accommodation</b>				
B & B Rent Single/Family (Average per week)	£204.64 as at 1st October 2017	£215.20 as at 1st October 2018	na	Since April 2012, the B&B rent threshold has been based on the January 2011 Local Housing Allowance (LHA). From April 2017, the B&B rent threshold will be based on the April 2015 LHA for benefit claims made through Universal Credit. The LHA varies according to changes in market rents, the location of the property and its bedroom size. This fee is the LHA threshold for one bedroom properties.
B & B Amenity Charges - Single Adult	£10.56	£10.56	→ 0.0%	From the 7th November 2016, the benefits caps were reduced from £26,000 per annum to £23,000 for Lone parents and Couples households and from £18,200 to £15,410 for Singles, in London. Any increase in fees is likely to be irrecoverable.
B & B Amenity Charges - Two Adults	£13.51	£13.51	→ 0.0%	
B & B Amenity Charges - Single Adult & Children	£11.14	£11.14	→ 0.0%	
B & B Amenity Charges - Two Adults and Children	£14.07	£14.07	→ 0.0%	
B & B Amenity Charges - Three Adults and Children	£17.12	£17.12	→ 0.0%	
B & B Amenity Charges - Four Adults and Children	£19.94	£19.94	→ 0.0%	
B & B Amenity Charges - any additional adult	£2.92	£2.92	→ 0.0%	

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
<b>STREET TRADING CHARGES</b>				
<b>LBHF STREET &amp; MARKET TRADERS - Weekly charges - North End Road</b>				
1 day per week (Standard Stall)	£20.75	£20.75 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
1 day per week (Extended)	£30.10	£30.10 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week (Standard)	£28.00	£28.00 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week (Extended)	£42.55	£42.55 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
3 days per week (Standard)	£43.60	£43.60 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
3 days per week (Extended)	£62.30	£62.30 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
4 days per week (Standard)	£55.00	£55.00 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
4 days per week (Extended)	£82.00	£82.00 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
5 days per week (Standard)	£69.55	£69.55 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
5 days per week (Extended)	£101.75	£101.75 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
6 days per week (Standard)	£85.10	£85.10 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
6 days per week (Extended)	£122.50	£122.50 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
<i>An additional charge of £10 per day will be payable for trading on Friday and/or Saturday</i>	£10.00	£10.00 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week for start-up businesses in North End Road Market	£10.00	£10.00 ➔	0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
<b>LIBRARIES CHARGES</b>				
Photocopying - A4 black and white - self service	£0.10	£0.10	⇒ 0.0%	
Photocopying - A3 black and white - self service	£0.20	£0.20	⇒ 0.0%	
Photocopying - A4 black and white - assisted service	£0.20	£0.20	⇒ 0.0%	
Photocopying - A3 black and white - assisted service	£0.40	£0.40	⇒ 0.0%	
Photocopying - A4 colour - self service	£0.80	£0.80	⇒ 0.0%	
Photocopying - A3 colour - self service	£1.50	£1.50	⇒ 0.0%	
Photocopying - A4 colour - assisted	£1.50	£1.50	⇒ 0.0%	
Photocopying - A3 colour - assisted	£2.00	£2.00	⇒ 0.0%	
Miscellaneous Sales	various	various	⇒ 0.0%	
Internet charges per half hour after first hour	£0.50	£0.50	⇒ 0.0%	
Internet charges - 3 hour block booking	£2.00	£2.00	⇒ 0.0%	
Printing from computers - A4 black and white - self service	£0.10	£0.10	⇒ 0.0%	
Printing from computers - A3 black and white - self service	£0.20	£0.20	⇒ 0.0%	
Printing from computers- A4 colour - self service	£0.80	£0.80	⇒ 0.0%	
Printing from computers- A3 colour - self service	£1.50	£1.50	⇒ 0.0%	
Printing from staff terminals	£0.10	£0.10	⇒ 0.0%	
Memory stick	£9.00	£9.00	⇒ 0.0%	
Overdue charges - books, CDs and spoken word formats (16-17 year olds)	£0.10	£0.10	⇒ 0.0%	
Overdue charges - books, CDs and spoken word formats	£0.25	£0.25	⇒ 0.0%	
DVDs & boxed sets per day	£0.75	£0.75	⇒ 0.0%	
Learning pack/ language course	£0.25	£0.25	⇒ 0.0%	
Charge for posting overdue notices	£1.00	£1.00	⇒ 0.0%	
Requests - H&F, RBKC and WCC libraries	£1.00	£1.00	⇒ 0.0%	

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
Lost / Damaged Charges	various	various	⇒ 0.0%	
Lost membership cards - under 15	£1.00	£1.00	⇒ 0.0%	
Lost membership cards - over 15	£3.00	£3.00	⇒ 0.0%	
Compact discs	£0.80	£0.80	⇒ 0.0%	
Spoken word formats	£1.00	£1.00	⇒ 0.0%	
DVDs	£1.50	£1.50	⇒ 0.0%	
DVD boxed sets	£3.50	£3.50	⇒ 0.0%	
Learning packs/ language courses	£2.50	£2.50	⇒ 0.0%	
Fax - within Uk	£1.00	£1.00	⇒ 0.0%	
Fax - to Europe	£1.50	£1.50	⇒ 0.0%	
Fax to North America	£2.00	£2.00	⇒ 0.0%	
Fax to Australia	£2.00	£2.00	⇒ 0.0%	
Fax elsewhere	£4.00	£4.00	⇒ 0.0%	
Fax - incoming material	£1.00	£1.00	⇒ 0.0%	
Community groups room hire during library hours (per hour)	£17.50	£17.50	⇒ 0.0%	
Community groups room hire outside library hours (per hour)	£55.00	£55.00	⇒ 0.0%	
Other groups room hire during library hours (per hour)	£35.00	£35.00	⇒ 0.0%	
Other groups room hire outside library hours (per hour)	£110.00	£110.00	⇒ 0.0%	
Other groups room hire during library hours (per day)	N/A	N/A	⇒ 0.0%	
Weddings - Fulham - Monday to Thursday	£350.00	£350.00	⇒ 0.0%	
Weddings - Fulham - Friday	£450.00	£450.00	⇒ 0.0%	
Weddings - Fulham - Saturday to Sunday	£550.00	£550.00	⇒ 0.0%	
Exhibition space - preparation day	£70.00	£70.00	⇒ 0.0%	
Exhibition space - per day	£130.00	£130.00	⇒ 0.0%	
Sale Items - guide prices - No VAT Charged - Withdrawn items	Cost	Cost	⇒ 0.0%	

# Agenda Item 5

<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>THE ECONOMY, HOUSING AND THE ARTS POLICY &amp; ACCOUNTABILITY COMMITTEE</b></p> <p>28<sup>th</sup> January 2019</p>	
<p><b>FINANCIAL PLAN FOR COUNCIL HOMES 2019/20</b></p>	
<p><b>Report of the Cabinet Member for Housing and Cabinet Member for Finance and Commercial Services</b></p>	
<p><b>Open Report</b></p>	
<p><b>Classification</b> - For review and comment <b>Key Decision:</b> No</p>	
<p><b>Other services consulted:</b></p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Director:</b> Jo Rowlands, Strategic Director for Growth &amp; Place Hitesh Jolapara, Strategic Director for Finance &amp; Governance</p>	
<p><b>Report Author:</b> Danny Rochford, Head of Finance for Growth &amp; Place, Finance &amp; Governance</p>	<p><b>Contact Details:</b> Tel: 020 8753 4023 E-mail: <a href="mailto:danny.rochford@lbhf.gov.uk">danny.rochford@lbhf.gov.uk</a></p>

## **1. EXECUTIVE SUMMARY**

- 1.1 This report covers the 2019/20 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget).
- 1.2 The HRA budget enables the Council to deliver services to residents, maintain safe and secure homes, invest in its stock, and develop new affordable homes.

## **2. BACKGROUND**

- 2.1 The Council uses all the money from rents and other income it receives from tenants to pay for the cost of managing and maintaining council homes and to cover the interest on its housing debt (in the same way someone would pay their mortgage). Council homes are accounted for in the HRA.
- 2.1. The HRA plays a key role in delivering across a range of Council priorities including:
  - Delivering genuinely affordable housing
  - Protecting the future of existing housing
  - Being Ruthlessly Financially Efficient and delivering value for money in services
  - Delivering public service reform, by finding new ways of working
  - Doing things with residents, through their role in service design and co-production
  - Providing excellent housing services for all
- 2.2. A number of key reforms to the service will take place in 2019/20 in order to achieve these objectives, and these have been included within the revised budget.

## **3. PROPOSAL**

- 3.1. The draft budget for Council homes for 2019/20 includes the final year of the decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016.
- 3.2. Rents will need to increase in future years to support the effective management and maintenance of your home - Government announced last year that annual rent increases are likely to be limited to the Consumer Price Index (CPI + 1%) for at least five years from April 2020.
- 3.3. Additionally, Government policy on social housing rents gives flexibility to set rents up to 5% above the formula rent for newly let homes. This new policy will increase the rental income available to fund new housing, investment and service provision. The policy will be developed in the coming months and will ensure that rents will be fully covered in the case of tenants who are eligible for full housing benefit. Further, the policy is expected to ensure that tenants transferring between the Council's homes won't have to pay more for their rent than they did in their previous home of the same size.

- 3.4. The Fire Safety Plus Programme will continue to make sure that the Council's homes and property meet high standards. This programme will move into the delivery phase.
- 3.5. This will be supported by a new HRA Asset Management Strategy, which was approved at Cabinet on 3<sup>rd</sup> December 2018. This sets out the priorities for investment in the Council's homes, with fire safety and health and safety compliance of primary importance. In the coming months, officers will set out detailed investment plans.
- 3.6. The repairs and maintenance contract with MITIE is being terminated, and a transition programme is underway and a new, residents focused and designed repairs delivery model is being developed. This is anticipated to be funded from the existing revenue budget for housing repairs.
- 3.7. To enable the successful delivery of the capital programme, fire safety plus, and improved services to residents, restructures to Growth and Place directorate are being completed. This has resulted in budget growth of £1.94m in these areas of operations, which will enable on going revenue savings of £0.8m per annum from 2020/21 rising to £0.9m per annum from 2021/22. These savings will be the result of better stock condition following investment and savings from improved customer service.
- 3.8. The Council has looked for other ways to offset the impact of the 1% rent cut on repairs, the increase in the costs of providing the Operations and Direct Delivery service and the additional costs of the Fire Safety Plus Programme to help safeguard Council homes for the future and ensure the long term financial sustainability of the HRA.
- 3.9. Although the opportunity to get more money in is restricted as most of the income received in the HRA is from tenants' rents and rent reductions for next year is set by legislation, a detailed review of the budgets has resulted in the identification of savings in the form of additional income in the HRA for 2019/20.
- 3.10. For example, we're expecting increased income from parking on housing estates in the borough of an additional £82,000 next year. We're also expecting an extra £42,000 of income resulting from improvements in management of the HRA commercial properties.
- 3.11. Together with the additional income expected to be generated from the new rent policy, this will give the Council the financial certainty needed to formulate a revised plan to meet our priorities.
- 3.12. There are however a number of risks to the financial plan. These are set out in full in the Cabinet report. As well as the normal risks of unexpected events, movements in major projects and legislative changes, one significant risk to the long term financial plan for Council homes to note is:
  - Universal Credit / Welfare reform: this impacts on the Council's ability to collect rents as claimants are paid in arrears. The Council does however have "trusted partner" status with the Department of Work and

Pensions. This allows the Council to apply for Alternative Payment Arrangements for individual tenants before they fall significantly into arrears.

3.13 The Cabinet intends to consider the Financial Plan for Council Homes for 2019/20 on 4<sup>th</sup> February 2019. The PAC's view will inform the Cabinet's decision.

**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	None		

# Agenda Item 6

<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>THE ECONOMY, HOUSING AND THE ARTS POLICY &amp; ADVISORY COMMITTEE</b></p> <p><b>28<sup>th</sup> January 2019</b></p>	
<b>GROWTH AND PLACE: TEMPORARY ACCOMMODATION PRESSURES</b>	
<b>Report of the Cabinet Member for Housing</b>	
<b>Open Report</b>	
<b>Classification</b> - For Information <b>Key Decision:</b> No	
<b>Other services consulted:</b> None	
<b>Wards Affected:</b> All	
<b>Accountable Director:</b> Jo Rowlands, Strategic Director Growth and Place.	
<b>Report Author:</b> Glendine Shepherd, Assistant Director, Housing Management, Growth and Place	<b>Contact Details:</b> Tel: 020 8753 5610 E-mail: <a href="mailto:glendine.shepherd@lbhf.gov.uk">glendine.shepherd@lbhf.gov.uk</a>

## **1. EXECUTIVE SUMMARY**

- 1.1 Hammersmith & Fulham Council, in common with many other London Authorities, increasingly finds itself in a challenging position to balance costs associated with Temporary Accommodation (TA) procurement and management while acquiring an affordable supply of accommodation to meet the growing demand for housing.
- 1.2 This council currently has responsibility for 1,406 homeless households (as at 15<sup>th</sup> January 2019) living in TA. The majority are living in TA acquired via managing agents in and around the neighbouring boroughs. There are currently 647 TA households living in this borough.
- 1.3 Managing Agents are requesting annual increases in rents, due to the growing gap between the Council's offer of local housing allowance and the market rents. It is becoming increasingly challenging to retain a cost-efficient TA portfolio and maintain this Council's achievement of zero families in bed and breakfast or any form of nightly accommodation since May 2015
- 1.4 Hammersmith and Fulham has 2,546 applicants on the housing register (as at 14<sup>th</sup> January 2019). The register includes tenant transfers (684). There are approx. 600 council and housing association homes to let each year. This means that less than 24% of people on the register will receive an offer of permanent housing each year. The need to temporarily accommodate households on the housing register as well as households approaching the council for housing assistance informs the demand for additional TA
- 1.5 This report sets out the challenges in delivering services to fulfil the Council's statutory obligation to provide suitable and affordable TA in the face of welfare reform changes, rising accommodation costs and decreasing availability of in-borough accommodation.
- 1.6 It explains the challenges and the impact on General Fund budgets and the mitigating activity being carried out. This will support the work of continuing to avoid placing families in B&B and placing as many people as possible in or close to the borough. However, inflationary pressure, lack of supply and the impact of universal credit could impact on that work and result in more households placed away from the borough and out of London to meet our duties and control costs.

## **2. RECOMMENDATIONS**

- 2.1. The Committee is requested to review and note the contents of the report.

### **3. BACKGROUND**

- 3.1 The Housing Solutions Service within the Growth and Place directorate continues to face the significant challenge of delivering and enhancing front-line services in the face of increasing demand within the budget envelope available.
- 3.2 The demand for affordable housing in Hammersmith and Fulham continues to be one of the major challenges that the Council faces with a high percentage of households approaching for housing assistance following eviction from the private sector due to inability to afford the high rents in the borough
- 3.3 The number of available social housing permanent offers to TA households is not projected to increase. The most direct and reliable way to reduce the number of households in TA is to enable households to live in the Private Rented Sector rather than TA accommodation. The law permits the Council to discharge its homelessness duty if it can broker private sector tenancies that are affordable and suitable to the households needs
- 3.4 Welfare reform changes and the implementation of Universal Credit (UC) has exacerbated the position. Following the introduction of the overall benefit cap in April 2013, further limits were introduced in November 2016. The limits are currently £442.31 for a family living in London (equivalent to £23,000 per annum) and £384.62 if living outside of London. Single households saw their limits reduced to £296.35 if living in London (equivalent to £15,400 per annum) and £257.59 if outside of London. Accommodation costs have been further reduced for single households under the age of 35 who are now only eligible for the Single Room rate – making studio and one-bedroom properties unaffordable for unemployed single households.

### **4. Universal Credit Implementation**

- 4.1 The introduction of Universal Credit (UC) has negatively impacted the existing challenges. While the overall principle of UC should have a positive effect on households - enabling financial independence – the outcome has seen a rise in foodbank use, rise in arrears and complexities around income collection and the need for alternative payment arrangements to enable rent payments to go direct to the local authority. Current UC rules dictate that rent payments must be made to the applicant in the first instance. Local authorities can then apply for an Alternative Payment Arrangement (APA). This enables the Department for Work and Pensions (DWP) to make payments direct to the local authority. Payments are always in arrears and at times, do not cover the entire rent – dependant on the family's subsistence requirements.

### **5. Homelessness Reduction Act Implementation**

- 5.1 The service continues to respond to the major changes and constraints on income collection brought about by the Government's programme of Welfare

Reform and increasing demand as a result of the Homelessness Reduction Act, implemented in April 2018, with duties expanded by the Duty to Refer, implemented in October 2018. December 2018 saw the highest number of third sector referrals since implementation – demonstrating a steady increase in referrals – total of 195 received – 78 in December alone.

- 5.2 The implementation of the Homeless Reduction Act has placed a duty on Councils to provide TA to a previously ineligible client group. In order to meet demand and provide suitable and affordable TA for households approaching the Council for housing assistance, the service must procure accommodation below market rents and incentivise landlords to encourage them to let properties to homeless households.
- 5.3 These changes have resulted in a 137% increase in households approaching the service for housing assistance between April 2018 – December 2018. In the YTD the service has received 2,148 enquiries (compared to 905 for the same period last year). Increased staffing resources at the prevention stage has meant that the current increased volumes have not resulted in increased TA placements to date. However, there is a risk of an increased need for TA going forward as additional interim staffing arrangements come to an end March 2019.
- 5.4 These additional duties have increased the financial pressure on the incentive provision. The current incentive amounts are lower than some of the other London boroughs. As a result, landlords are requesting higher incentives and if not agreed, properties are being made available to higher paying authorities.

## **6. Loss of TA management fee on housing benefit subsidy and associated grants**

- 6.1 The Flexible Homelessness Support Grant provided by central Government is currently cushioning the Council from the impact of the removal of the management fee for Temporary Accommodation (£40 per London properties and £60 out of London). This and other related government grants will diminish next year and potentially disappear from 2020/21 as Government has not confirmed any further allocations beyond that date. There is therefore a risk of a potential loss of income for the General Fund due to the removal of the TA management fee from housing benefit subsidy entitlement from April 2020. This is estimated to potentially cost the Council £1.8m in 2020/21, £1.9m in 2021/22 and £2.0m in 2022/23.
- 6.2 Unless demand can be controlled and the number of households in TA reduced to offset the impact of these grant funding reductions, the service will need to be subsidised to a much greater extent from the General Fund. The additional potential impact on the General Fund solely in terms of the reductions in grant funding is expected to be between £4.2m and £9.3m over four years from 2018/19. These scenarios are shown in the table below. The table shows the additional grant allocations that have been confirmed by Government up to and including 2019/20.

Temporary Accommodation Grants	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total Grant Income Loss
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MHCLG Homelessness Prevention Grant - Trailblazer	85	240	279				
MHCLG Flexible Homelessness Support Grant	0	3,527	3,381	2,805			
DWP Universal Credit Local Authority Universal Support Grant	0	99	90				
MHCLG New Burdens Grant - Homelessness Reduction Act	0	225	206	195			
DWP UC New Burdens Funding	0	0	71				
<b>All Temporary Accommodation Grants</b>	<b>85</b>	<b>4,091</b>	<b>4,027</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	
<b>Loss of Grant Income relative to 2017/18</b>							
<b>Worst Case Scenario</b>			<b>(64)</b>	<b>(1,091)</b>	<b>(4,091)</b>	<b>(4,091)</b>	<b>(9,337)</b>
Assuming known 2019/20 allocations only reduce by 10% each year in future					2,700	2,430	
<b>Best Case Scenario</b>			<b>(64)</b>	<b>(1,091)</b>	<b>(1,391)</b>	<b>(1,661)</b>	<b>(4,207)</b>

## 7. Increases in TA rents and procurement costs

- 7.1 Market rents continue to rise and has made it increasingly challenging to procure in-borough TA. The TA portfolio historically reflected 60% in-borough accommodation and 40% out of borough. The current portfolio has moved to the other percentage – 60% out of borough and 40% in borough. This number includes Temporary on Licence (TOL) properties on designated regeneration sites e.g. Earls Court.
- 7.2 Portfolio landlords are demanding increased rents and incentive payments over and above Local Housing Allowance rates and the Flexible Housing Support Grant replacing the management fee e.g. rents to one landlord – Local Housing Allowance rate plus £45-£65 management fee and incentive payments between £1.5k and £3k

## 8. Keeping families out of Bed & Breakfast accommodation

- 8.1 The Council has successfully managed to protect homeless families from being temporarily housed in B&B accommodation and had previously complied with the legal requirement of not keeping homeless families in B&B for longer than six weeks since October 2015. Increasing demand for in-borough accommodation and diminishing supply could see a return to expensive, unsuitable B&B accommodation.

## **9 RISKS AND FINANCIAL IMPLICATIONS**

- 9.1 There is a risk of inflationary pressures on costs because of increased demand for TA across London. The risk is based on an additional 1.5% increase in costs over and above the inflation already budgeted for in 2019/20 and a further 1.5% increase for each year following. This results in a risk of a further £0.3m in 2019/20 and £0.5m in 2020/21 and £0.8m in 2021/22 and £1m in 2022/23
- 9.2 Incentives - Historically the funding of these has been enabled by Cabinet approval of underspend carry forward requests. This may be possible in 2018/19 but it is unlikely that there will be an underspend in future years. The minimum annual cost of £0.6m will continue to be funded from the TA earmarked reserves while available
- 9.2 The Government's programme of Welfare Reform, namely UC, is expected to have a significant impact on the Council's ability to collect rental income and may result in increased bad debt charges to the General Fund. However, the risk of an unbudgeted bad debt charge is diminished in future years because although existing Universal Credit claimants in temporary accommodation remain on UC, all new benefit claims are no longer subject to Universal Credit (since April 2018) and instead, claimants are subject to Housing Benefit subsidy which is paid directly to the Council.
- 9.3 In addition, the loss of suitable tenancies in the private sector, arising from welfare reform measures some of which are now fully in place, could lead to a risk of increased homelessness and greater use of expensive temporary accommodation such as Bed & Breakfast (B&B)
- 9.4 The increasing demand pressures arising from the Government's programme of Welfare Reform and legislative changes mean that there is a risk that the Council may face increasing costs housing families in B&B estimated at £0.2m in 2019/20, £0.2m in 2020/21 and £0.3m in 2021/22. Overall Benefit Cap - projected financial impact on General Fund budgets - £100k. In addition, potential UC risk - £35k. (overall risk reduced as TA households are now exempt from UC)
- 9.5 Reduced viability for TA currently managed by Housing Associations, leading to loss of income for the Associations and potential knock-on effects for the authority in the need to provide alternative temporary accommodation – the TA management fee has been taken away from Housing Associations as well as local authorities. Housing Associations now need to claim the subsidy from Local Authorities. This reduces the viability of the Housing Association Leasing Scheme.
- 9.6 Loss of tenancies in the private sector or direct loss of income in Council managed TA arising from the direct payment of benefits to claimants in receipt of Universal Credit and, again, with the potential risk of increased homelessness and the use of B&B

- 9.7 Loss of income for the Council due to the removal of the TA management fee from housing benefit subsidy entitlement from April 2017 (see section 6)
- 9.8 Increase in staffing and procurement costs due to the implementation of the Homeless Reduction Bill which places additional duties on the Council to prevent homelessness.
- 9.9 Increased client numbers as a result of the implementation of the Homelessness Reduction Act (see section 5)
- 9.10 Recent years have seen increases in client numbers in TA and this trend is expected to continue. After taking account of the mitigating impact of homelessness prevention activities it is expected that numbers in Private Sector Leased (PSL) and Bed & Breakfast (B&B) accommodation will drop next year but then increase in future years. The forecast total number of clients in temporary accommodation for future years is expected to reach 1,449 (March 19), then drop to 1,250 (March 20) before steadily climbing to 1,300 (March 21) and 1,350 (March 22). This means there is a risk of further net costs of £0.1m in 21/22 and £0.3m in 22/23
- 9.11 There is also a risk that homelessness acceptances will increase in future years above this level due to legislative changes. On the assumption that the number of new homelessness acceptances increases by 100 per annum on an ongoing basis, the net cost will increase by £0.6m in 2019/20 and £1.2m in 2020/21, rising to £1.8m from 2021/22.
- 9.12 MTFs General Fund Savings to be delivered in 19/20 - TA reduction programme and investment in private rented sector properties is expected to realise £250k saving target. A reduction in Housing Solutions staffing costs is expected to realise £141k saving.

## **10. MITIGATION**

The following activities that will help mitigate these risks are planned:

- 10.1 A robust TA reduction programme is in place to reduce the financial impact of this accommodation type. TA trajectory reports being produced to track performance and highlight areas for targeted focus. A cabinet paper has recently approved an investment in private rented sector accommodation to reduce numbers in TA, however assuming this mitigating procurement strategy is successful, there remains a risk of a net loss of income on the General Fund of at least £2.1m and potentially up to £7.2m over the same period. (see section 6)
- 10.2 Capital Letters – This is an ambitious Government and London Councils sponsored scheme to centralise the procurement of TA and Private Rented accommodation from private landlords. The business plan has now been

finalised and a report has been submitted to cabinet requesting approval to join.

- 10.3 Capital Letters will procure new properties on behalf of London boroughs supported by the Ministry for Housing, Communities, and Local Government (MHCLG). It will allow a more rational allocation of supply across London, allowing households to be housed closer to placing boroughs. Properties are expected to be a mixture of Private Rented Sector (PRS) properties let by the property owner to households by the boroughs, and properties leased directly from landlords or from managing agents. Effective access to the private rented sector will relieve the pressure on TA supply, reducing expenditure.
- 10.4 Interim staffing structure was implemented to prepare for the Homelessness Reduction Act 2017 and temporary roles are budgeted to end in March 2019. A full-service review is underway to establish the interim structure and review overall service delivery to ensure a robust response to the new legislation, ensure legal compliance and provide greater emphasis on preventing and relieving homelessness. Government New Burdens funding will mitigate against a negative impact on current budgets.
- 10.5 In light of the current budget pressures for 18/19, a review of the TA provision has been carried out to ensure that the best possible value for money is being achieved from available resources. This will include looking at opportunities to invest in a private rented sector portfolio and looking at changing the mix of the current TA portfolio, moving away from short term monthly leases to look for longer term ways to mitigate the cost pressures.
- 10.6 The Social Lettings Agency has delivered increased numbers of private rented accommodation as well as more cost-effective TA. The service offers a tenancy relations service to private landlords as well as other landlord services e.g. Energy Performance Certificates (EPC) to generate income.
- 10.7 Continuing to use buybacks in the Earl's Court regeneration area for use as affordable in-borough TA
- 10.8 Increasing the supply of social and affordable housing is crucial to the success of any strategic approach to managing the TA process. Low turnover in social housing (in common with all of London) has slowed the TA move on process and resulted in more households remaining in TA for longer periods – compounding the need for additional TA units. The Council plans to increase affordable housing, reducing pressure on TA budgets by providing permanent lower cost homes through direct delivery, partnership with housing associations and working with developers through the planning process
- 10.9 A new trailblazer service will support and enable tenants to gain exemption from the Benefits Cap through: Training and qualifying employment; Disability/Carers benefit where possible; Crowd funding arrangements in partnership with BEAM (a service that fund-raises for employment and training for people who are homeless or at risk of homelessness. It provides end-to-end, personalised support into skilled, secure and well-paid jobs) to give

financial assistance to unemployed tenants with a view to gaining employment leading to tenancy sustainability and greater affordability.

- 10.10 Work with the DWP, tenants, colleagues and the voluntary sector to ensure UC claims are assessed correctly and paid to the Council in an alternative payment arrangement, or facilitate switch-back to Housing Benefit (HB) for TA households (where appropriate) to assume more control over benefit claims.

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

**LIST OF APPENDICES:**  
N/A