

Economic Regeneration, Housing and the Arts Policy and Accountability Committee

Agenda

Tuesday 19 January 2016

7.00 pm

Small Hall - Hammersmith Town Hall

MEMBERSHIP

Administration:	Opposition
Councillor Daryl Brown Councillor Adam Connell Councillor Alan De'Ath (Chair)	Councillor Lucy Ivimy Councillor Harry Phibbs

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Date Issued: 12 January 2016

Economic Regeneration, Housing and the Arts Policy and Accountability Committee

Agenda

19 January 2016

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The next meeting will be held on 8 th March 2016.	

** If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.*

At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.

Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.

London Borough of Hammersmith & Fulham



Economic Regeneration, Housing and the Arts Policy and Accountability Committee Minutes

Tuesday 1 December 2015

PRESENT

Committee members: Councillors Adam Connell, Alan De'Ath (Chair) and Harry Phibbs

Other Councillors: Sue Fennimore, Lisa Homan and Max Schmid

Officers: Kathleen Corbett and Jana Du Preez

23. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Lucy Ivimy.

24. DECLARATIONS OF INTEREST

There were no declarations of interest.

25. MINUTES & ACTIONS

The minutes of the meeting held on 3 November were agreed to be accurate.

26. THE FINANCIAL PLAN FOR COUNCIL HOMES

Kath Corbett explained that the report addressed the Housing Revenue Account (HRA) budget and business plan for both the next year and the next 40 years. She explained that when she had attended the PAC last year in December 2014 to discuss the financial plan for council homes, residents had supported a rent increase of CPI (Consumer Price Index) + 1%, a service charge increase at CPI, and an extra £1 per week increase for those not yet

Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

paying target rents. This was intended to allow significant investment in the council's housing stock, and was considered to be a good balance between affordability for residents and ensuring that homes were of a decent standard. In July 2015 the government had decided to cut all social rents by 1% per year for each of the next four years, which by 2020 would lead to the average weekly rent being £17 per week lower than under the previous plan. The change would however take £24 million from the business plan over the next four years and results in a £74 million shortfall in the Long Term Financial Plan covering the next ten years. She clarified that the HRA was not just losing 1% but the previously planned rises as well. This is a significant loss of expected income; the only reason the position was not even worse was because the recent stock condition survey had reduced some of the future years costs.

The planned works schedule would have to be altered to take account of the reduced budget. Planned works for 2016/17 would be protected as it would be difficult practically to cancel them, and residents were already engaged in the plans. The new stock condition survey, carried out as part of the work of the Residents' Commission on Council Housing, had been very useful in starting to plan a new schedule of works. The Housing Representatives Forum had been asked about what should be protected and what could be delayed, and window replacement had been identified as a priority, alongside boiler replacement, whereas new kitchens, bathrooms and heating systems were seen by residents as less urgent.

Kath Corbett said that officers had tried to mitigate the impact on the window replacement programme, but that it had not been possible to protect it completely. She explained that works to windows in the following locations may be delayed: Linacre Court, Derwent Court, Verulam House, Waterhouse Close, Arthur Henderson House, William Banfield House, 5-48 Walham Green Court, Lampeter Square, Clem Attlee Estate, Becklow Gardens, Burnand House, Bradford House, Lancaster Court, Ashcroft Square, White City Estate, Griffin Court and Sullivan Court.

Kitchens, bathrooms and electrical wiring might be delayed beyond the replacement cycle period in the following locations: Wormholt Estate, Old Oak Estate, Creighton Close, Orwell, Crengam and Hayter Houses, Aspen Gardens, Flora Gardens, Woodmans Mews, Derwent Court, Chisholm Court, Mylne Close, Standish House, Paddenswick Court, College Court and Bulow Court.

Heating distribution systems, including pipework, radiators and controls, might be delayed at: White City Estate, Sullivan Court, Flora Gardens, Aspen Gardens, Queen Caroline Estate, Emlyn Gardens, Riverside Gardens, Fulham Court, Barclay Close and Springvale Estate.

Kath Corbett explained that there was a difficult decision to be taken around street properties, which had seen under-investment for some time and many therefore needed significant works, however, many of these properties were likely to be sold off as a result of the government's decision to force councils

to sell off high value voids. If a property were renovated and then sold off significant sums could be spent without any benefit to council tenants.

Councillor Homan explained that she understood that the rent decrease would be good for tenants, noting that not many people would turn down the offer of paying less for housing in London, but said that the impact on the council's ability to maintain the stock was significant. She said that as well as rental income being reduced by 1% per year, the council would also lose out on rent from those high value voids which it was forced to sell by the government. The budget gaps Kath Corbett had spoken about didn't take account of this because the government still hadn't provided any detail on the high value voids scheme. There was also no information on how the 'pay-to-stay' scheme the government was proposing would work, and so the council had to set its budget for the next year without all of the information it needed, which she felt was unacceptable. Councillor Homan explained that the council would be doing all it could to raise money through commercial rents, garage lettings and selling advertising space, but this could not reduce the budget gap by much.

A resident asked whether council tax would be raised to fill the gap. Councillor Connell noted that the government had recently announced that it would allow councils to increase council tax by 2% to fund adult social care spending, but that this could not fund council housing. Councillor De'Ath noted that the administration had committed to cutting council tax. Councillor Phibbs supported the intention to cut council tax.

Joy Nichols asked whether service charges for leaseholders would increase as a result of the cut in social rents. Kath Corbett said that they would not, explaining that the council could only charge leaseholders what they actually spent on their properties and the areas covered by their lease.

A resident asked whether the lower investment in properties would lead to higher reactive repairs costs and therefore be a false economy. She also felt that if there was greater pressure on the repairs service a better system of prioritisation would be needed to ensure that those in real need of repairs could get them done. Kath Corbett said that it was hard to model the precise impact of lower investment on repairs, however she expected that the amount of money spent on repairs would rise.

Councillor Connell asked whether the reduced investment might impact on the value of the stock. Kath Corbett explained that because of the way council housing stock valuations were undertaken it was unlikely to have a significant impact in the current housing market. If the reduced spending was sustained over a long period lower property values might impact on the value of the HRA reserves.

Councillor Phibbs said that he was pleased that rents had been reduced, but was disappointed with the tone of the report; he felt that there were further opportunities for saving money without cutting services which the report failed to recognise. He raised particular concerns about the cost of scaffolding which was left up for extended periods of time and long term voids. He felt

that some council houses ought to be sold if they were particularly valuable and would require significant investment to make them habitable. Kath Corbett explained that savings could and would be made, however, the impact of the rent reduction was so large that delays to the planned works programme were inevitable. Other efficiency savings were always being investigated; indeed the Head of Housing Financial Investment and Strategy was currently attending project meetings for planned works to try to reduce costs. Officers were keen, however, to ensure that efficiency savings didn't make the service worse for residents. Councillor Homan explained that scaffolding cost a significant amount to erect and dismantle, but that the rent was relatively cheap. Therefore it was sometimes better value to leave scaffolding up around a property where further works were scheduled. **ACTION – Kath Corbett to provide the Chair and Councillor Phibbs an explanation of how scaffolding was charged.**

Councillor Phibbs asked whether there were plans to share more housing services with Kensington and Chelsea. Councillor Homan explained that there were not; there were practical problems around keeping HRA funds, which had to be used for specific purposes in Hammersmith and Fulham, separate from other funds, as well as significant differences in the approaches the two councils were taking to housing. The council was however looking at selling its expertise in dealing with homelessness to other boroughs and its Right to Buy and leaseholder enforcement services to housing associations.

Councillor De'Ath asked how planned works were currently procured. Kath Corbett explained that there were a small number of contracts in place which covered most of the planned works in the borough. These contracts were currently being reviewed as they were due to expire in 2016, however, she explained that the current contracts were quite good value as construction inflation was high, whereas the prices in the most contracts were linked to CPI.

Councillor Connell asked whether the sale of high value void properties would be sustainable for the borough. Kath Corbett explained that the money from the sales would have to be given to government, and the council was expecting to have to sell a significant proportion of its void properties. This would reduce the council's housing stock and might lead to increased temporary accommodation costs and a greater use of bed and breakfast accommodation. Councillor Phibbs noted that the money taken by government would be distributed to housing associations for building new stock; he thought that this could lead to an equal or possibly even a greater number of social housing units in the borough. Councillor Homan noted that it was difficult to build new housing, noting the difficulties faced in the current right to buy scheme. Kath Corbett noted that there was still no detail from the government on how the scheme would operate, and explained that even if homes were built on a one for one basis, there would still be a considerable period of time between a sale and a new property being built, meaning that the social/affordable housing stock was temporarily reduced.

Councillor Phibbs asked whether the council had a plan to reduce its HRA debt by selling stock and thereby reduce interest payments. Kath Corbett

explained that at present high interest loans from the 1980's and 1990's were being refinanced with loans at a much lower rate. She noted that selling stock could cut interest payments, but the rental income from the property would also be lost.

Shirley Cupit said that she did not feel that saving seventeen pounds per week was worth the reduction in the planned works programme it forced upon the council. She had spoken to many residents about it and none were supportive of the rent cut once they knew its implications. Councillor De'Ath asked what the government's reason for reducing rents was. Kath Corbett explained that the aim appeared to be to reduce the cost of housing benefit payments made by the government.

Councillor Phibbs asked whether rent types could be changed to affordable rents when tenants moved out, thereby mitigating some of the impact of the reduction in social rents. Kath Corbett said that the legal position remained unclear, but that even if the authority were able to change rent type it would be restricted by the housing benefit limit rent. Councillor Homan explained that the administration would not change rental types without an extensive period of engagement and a thorough consultation with residents; she reminded all present that the administration wanted to do things with people, not to people. Shirley Cupit noted that only social rent was affordable to those in the greatest need of housing.

A resident of Emlyn Gardens asked why a housing association was being allowed to build on council land. Councillor Homan explained that the council would be able to allocate the new properties to people on the housing register and that existing residents would benefit from a new tenants hall. She was happy to look into any specific concerns raised with her about the scheme.

Scott Reeve asked what the impact of the reduction in social rents would be on the recommendation of the residents commission. Councillor Homan explained that the residents commission had known about the reduction in social rents which had been announced in the budget on 8 July. The reduction in social rents made a stock transfer to a housing association more appealing as the new association would be able to borrow to cover the shortfall in rental income, which the council could not do because of the HRA debt cap.

27. SERVICE CHARGES FOR LEASEHOLDERS

Kath Corbett explained that there were two types of charges made by the council to leaseholders. These were the annual service charge, which covered services delivered by the council to a building or estate, and major works bills, which were for significant periodic works done to buildings and tended to be more costly.

Service charges were estimated each March and leaseholders were invoiced for this amount which they could then pay in ten monthly instalments. A reconciling invoice or credit note was then issued in the September after the end of the charging period, so that leaseholders paid the cost of the service

they received rather than the estimate. The average annual service charge in Hammersmith and Fulham was £827, which was much lower than service charges in either Kensington and Chelsea or Westminster. A resident said that this was appropriate as Hammersmith and Fulham residents were less affluent than those in the other two boroughs. Kath Corbett said that the council knew that approximately 10% of its leaseholders were former social housing tenants who had exercised their right to buy their homes. As well as low service charges the borough had generous payment terms and special schemes for those in financial difficulty.

When major works were needed residents were issued with Section 20 notices, before the works began. These were then invoiced after completion, with flexible payment terms available. Major works understandably caused some concern for leaseholders as works to buildings are quite complex and the bills could be significant.

Kath Corbett explained that leasehold services were trying to work with residents to improve many of their processes. Some of these related to the service charge, for example, a caretaking service review group had been formed and was to look at what and how caretaking services were provided. Estate inspections were being reviewed again, with a focus on feedback.

Improvements to major works processes had been significant, and over the past year with the help of leaseholders the wording and format of the Section 20 notice had been revised, whilst the process of estimating the work required to a building and/or estate have been reviewed. Training has also been provided for staff involved in the process. The repairs working group was also looking at how residents could be made aware of planned works before Section 20 notices were issued. Where leaseholders owned all the flats in a building, they could buy the freehold and then organise works themselves; this opportunity was now given to residents before notices were issued.

Councillor Homan said that she thought that services were improving, but noted that there were some areas which were still not as good as she would like; communication between officers, contractors and residents was an area where more needed to be done. She said that it was important that the council worked with residents to get services right, as only they knew what was important to them. Anthony Wood explained that the communications group would be looking at communications between MITIE and leaseholders, and that more leaseholders were needed to help with this work.

Councillor Phibbs asked why the charge made to leaseholders for caretaking had increased when he understood that the number of caretakers and regularity of visits, and therefore the cost of providing the service, had been reduced. Kath Corbett explained that the contract was based on outputs rather than the number of times a caretaker visited a block, and so the cost of the service may not have fallen. Jana Du Preez explained that sickness absence was now part of the Pinnacle contract cost and charged to leaseholders, whereas previously the council had borne this.

Councillor Phibbs asked how leaseholders could find out more detail about their service charge bills. Kath Corbett explained that bills were already broken down by item giving the total cost for the block, the proportion of each cost the leaseholder was expected to pay, as well as the amount they needed to pay. A list of reactive repairs undertaken in the block was also sent out with the bill so that leaseholders could see where money had been spent. The leasehold services team could answer more detailed queries. If Councillor Phibbs had particular concerns she was happy to look into them. She also explained that there was a right of appeal to the first tier tribunal.

Councillor Phibbs asked how Hammersmith and Fulham's service charges compared to West London boroughs other than Kensington and Chelsea and Westminster. Jana Du Preez said that she would provide benchmarking information to Cllr Phibbs. **ACTION - Jana Du Preez to provide benchmarking statistics to the Chair and Councillor Phibbs.**

Councillor Phibbs asked what proportion of spending was a management fee. Jana Du Preez explained that management fees had been benchmarked about 18 months ago and that Hammersmith and Fulham had performed well. **ACTION – Jana du Preez to provide the benchmarking information to the Chair and Councillor Phibbs.**

Councillor Phibbs asked what involvement leaseholders had in setting the specification for works. Kath Corbett said that the council had a responsibility to do some works, citing fire doors as an example; the repairs working group was looking at how leaseholders could become more involved in planning repairs. Councillor Phibbs asked whether a sinking fund model could be used to spread payments by leaseholders. Kath Corbett explained that this would lead to higher bills in the short term and was administratively burdensome, but that it had been considered before. Councillor Homan agreed to discuss the idea with the Leaseholders' Forum.

Joy Nichols asked how accurate estimates were. Kath Corbett explained that service charges were generally quite accurate, but that there was certainly more work to do on the major works estimates.

Councillor Connell said that he was pleased to hear about the work which was being done to improve services with residents.

A resident was concerned that leaseholders in the West Kensington and Gibbs Green Estates would be forced to move out of the borough. Councillor Homan explained that negotiations with CapCo were ongoing, but that it was difficult for the council to achieve everything it wanted to. Kath Corbett explained that the current offer gave leaseholders a right to a replacement home. Properties would be discounted by ten percent, and leaseholders could pay only from the money they received for their current home and the home loss award towards their new replacement home; the council would then hold the remainder of the equity, which would not be subject to rent. Shirley Cupit said that she had spoken to a representative of CapCo and they had suggested that the council would set the value of properties. Kath Corbett explained that a valuation would be done by a firm procured by the council to

establish the value of properties, both those the leaseholders were moving out of and their new homes.

28. WORK PROGRAMME AND DATE OF THE NEXT MEETING

Councillor De'Ath explained that a revised work programme had been developed and that members views on it would be very welcome. He noted that the March meeting was being kept clear to allow scrutiny of any cabinet decision arising from the Residents' Commission on Council Housing.

Councillor Connell asked that the item about new Key Performance Indicators (KPIs) for Mitie be brought to the committee soon as the item had first been suggested at the beginning of the municipal year. Anthony Wood explained that a sub group of the repairs working group was looking at this issue, and that they could bring their findings to the committee when they were complete.

Anthony Wood also explained that the communications working group was working with officers on a new communications strategy and that the item on the residents communication strategy would best be considered once that had been completed.


Shirley Cupit said that there would be a council housing residents conference in June, and that it might be timely to consider the resident involvement structure.

Councillor Homan suggested that the discussion on the private rented sector be delayed from the January meeting as the cabinet had agreed in November to consult on a range of options to improve standards in the sector. She suggested that the committee consider the issue once residents views were known. **ACTION – Ainsley Gilbert to remove the Private Rented Sector from the work programme for 19 January 2016.**

Meeting started: 7.00 pm
Meeting ended: 9.05 pm

Chairman

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London Borough of Hammersmith & Fulham ECONOMIC REGENERATION, HOUSING & THE ARTS POLICY AND ACCOUNTABILITY COMMITTEE 19th JANUARY 2016		
2016 Medium Term Financial Strategy (MTFS)		
Report of the Cabinet Member for Finance		
Report Status: Open		
Classification: For review and comment.		
Key Decision: No		
Wards Affected: All		
Report Authors: Hitesh Jolapara – Strategic Finance Director Kathleen Corbett – Housing Director of Finance & Resources		Contact Details: Tel: 020 8753 2501 E-mail: hitesh.jolapara@lbhf.gov.uk Tel: 020 8753 3031 Email: Kathleen.Corbett@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. Cabinet will present their revenue budget and council tax proposals to Budget Council on 24th February 2016.
- 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 changes in fees and charges.

2. RECOMMENDATIONS

- 2.1. That the PAC considers the budget proposals and makes recommendations to Cabinet as appropriate.
- 2.2. That the PAC considers the non-standard increases in fees and charges and makes recommendations as appropriate.

3. INTRODUCTION AND BACKGROUND

3.1 The current Medium Term Financial Strategy (MTFS) forecast is set out in Table 1. The 2016/17 budget gap, before savings, is £15.4m, rising to £55.8m by 2019/20.

Table 1 – Budget Gap Before Savings

	£'m	£'m	£'m	£'m
	2016/17	2017/18	2018/19	2019/20
Base Budget	167.4	167.5	167.5	167.6
Add:				
- Inflation	2.3	4.8	7.3	9.8
- Contingency (includes pay)	2.0	4.0	6.1	8.1
- Growth	6.2	10.2	10.4	10.7
- New burden – Independent Living Fund	0.9	0.9	0.9	0.9
- Investment in efficiency projects to realise savings in future years	4.0	0	0	0
Budgeted Expenditure	182.8	187.4	192.2	197.1
Less:				
- Government Resources	(50.3)	(40.2)	(30.8)	(24.0)
- LBHF Resources	(115.1)	(113.9)	(114.5)	(115.3)
- Use of Developer Contributions	(2.0)	(2.0)	(2.0)	(2.0)
Budgeted Resources	(167.4)	(156.1)	(147.3)	(141.3)
Cumulative Budget Gap Before Savings	15.4	31.3	44.9	55.8
Risks	10.2	18.0	22.7	25.5

3.2 Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. Funding reduced by £18m in 2015/16 (to £57.6m) and is forecast to further reduce by £33.6m from 2015/16 to 2019/20. Based on the Provisional Local Government Finance Settlement the 2016/17 grant reduction¹ is £8.2m. In addition, Government has imposed £2.885m of new responsibilities on LBHF without providing any funding.

3.3 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is

¹ On a like for like basis 2015./16 grant was £57.6m and will reduce by £8.2m to £49.4m in 2016/17. In addition grant of £0.9m will be receivable in 2016/17 for the new burden associated with the Independent Living Fund. Total 2016/17 grant is £50.3m.

included in Government projections of LBHF's spending power². The Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.

- 3.4 Locally generated LBHF resources are council tax and the local share of business rates. The 2016/17 business rates taxbase will be confirmed in February. In future years business rates are projected to increase in line with inflation.
- 3.5 Property developments have placed increased pressure on council services in recent years. The budget strategy provides for use of £2m of developer contributions to support relevant expenditure.
- 3.6 Responsibility for supporting Independent Living Fund users transferred to local authorities, from government, in 2015/16. Estimated expenditure is £0.9m in 2016/17. It is anticipated that this will be funded by government grant for the next year, but there is no certainty over future funding following that.

4. GROWTH, SAVINGS AND RISK

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

- 4.1 Budget growth is summarised by Department in Table 2.

Table 2 2016/17 Growth Proposals

	£'000s
Adult Social Care	1,475
Children's Services	3,164
Environmental Services	269
Corporate Services	1,218
Libraries	65
Total Growth	6,191

- 4.2 Table 3 summarises why budget growth is proposed:

² As part of the settlement announcement the government state their view of the cut in local authority spending power. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates. For council tax the 2% social care precept is assumed and a 0.8% inflation increase.

Table 3 – Reasons for 2016/17 Budget Growth

	£'000s
Government related	2,884
Other public bodies	675
Increase in demand/demographic growth	463
Council Priority	1,774
Existing budget pressures funded by virements from budget underspends/savings	395
Total Growth	6,191

Savings

- 4.3 The council faces a continuing financial challenge due to Central Government funding cuts, inflation and growth pressures. The budget gap will increase in each of the next four years if no action is taken to reduce expenditure, generate more income through commercial revenue or continue to grow the number of businesses in the borough.
- 4.4 In order to close the budget gap for 2016/17 savings of £15.4m are proposed (Table 4).

Table 4 – 2016/17 Savings Proposals by Department

Department	Savings £'000s
Adult Social Care	5,321
Children's Services	3,227
Environmental Services	2,799
Libraries and Archives	20
Corporate Services	3,175
Housing	265
Council Wide Savings	1,050
Total All savings	15,857
Less savings accounted for in the grant/resource forecast ³	(455)
Net Savings	15,402

Budget Risk

- 4.5 The Council's budget requirement for 2016/17 is £167.4m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key

³ The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.455m. These are shown within the resource forecast.

financial risks that face the council have been identified and quantified. They total £10.2m. Those that relate to this PAC are set out in Appendix 2.

5 FEES AND CHARGES

5.1 The budget strategy assumes:

- Adult Social Care, Children’s Services, Adult Learning and Skills, Libraries and Housing charges frozen
- A standard uplift of 1.1% based on the August Retail Price index for some fees in Environmental Services. All parking charges are frozen
- In the future, commercial services that are charged on a for-profit basis will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the Council constitution.

5.2 Current proposed exceptions to the standard 1.1% increase, for this PAC, are set out in Appendix 3.

6. 2016/17 COUNCIL TAX LEVELS

6.1 Cabinet propose to freeze the Hammersmith and Fulham’s element of 2016/17 Council Tax. This will provide a balanced budget whilst recognising the burden on local taxpayers.

6.2 The draft GLA budget is currently out for consultation and is due to be presented to the London Assembly on 27th January , for final confirmation of precepts on 22nd February. It proposes that the precept will reduce to £276 a year (Band D household). £12 of the £19 Band D reduction to achieve this relates to the end of the Olympic precept paid by London residents.

6.3 The impact on the Council’s overall Council Tax is set out in Table 5.

Table 5 – Council Tax Levels

	2015/16 Band D	2016/17 Band D	Change From 2015/16
	£	£	£
Hammersmith and Fulham	727.81	727.81	0
Greater London Authority	295.00	276.00	(19.00)
Total	1,022.81	1,003.81	(19.00)

6.4 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF’s spending power. However,

the Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.

- 6.5 Following last year's council tax cut, the current Band D Council Tax charge is the 3rd lowest in England⁴. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

7 Comments of the Lead Directors for Housing on the Budget Proposals

- 7.1 The Housing 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 sets out the 2016/17 Housing Revenue Account budget was presented to the Economic Regeneration, Housing and The Arts Policy & Advisory Committee on 1st December 2015. This paper included the impact of a 1% decrease in rents for Council Homes which is being imposed by central Government for each of the next four years, and its effect on the ability of the Council to carry out repairs and improvements on Council homes and to develop its Council estates. The Financial Plan for Council Homes report, including the 2016/17 Housing Revenue Account budget is scheduled to go before Cabinet on 8th February 2016.

General Fund Budgets

- 7.3 Within Housing, General Fund resources have been allocated to focus on the dual aims of achieving the challenge of delivering Medium Term Financial Strategy (MTFS) savings proposals whilst ensuring front-line services are maintained and enhanced. Particular focus is on enabling the service to respond to the changes brought about by the Government's programme of Welfare Reform, including supporting residents into work, providing mitigating action to protect vulnerable people, responding to housing need and protecting the Council's financial interest and reputation.
- 7.4 The allocation of the approved General Fund Budget between key services is shown in table 6.

⁴ Excluding the Corporation of London

Table 6 – Housing 2015/16 General Fund Budget by Key Service

	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s
Assessment & Advice	2,469	512	1,957
Allocations & Reviews	812	0	812
Temporary Accommodation (TA)	16,733	13,539	3,194
Housing Total⁵	20,014	14,051	5,963

NB – Of the gross expenditure budgets in Table 6, only £3.281m is considered to be controllable if temporary accommodation budgets are excluded. The main controllable budgets relate to staffing costs and non-grant funded activities.

7.5 A brief summary of the key services included in the table above is set out below:

- The **Advice & Assessment** service provides housing advice, works with partners to meet housing demand by assessing homelessness applications, promotes early interventions in order to reduce the likelihood of a person becoming homeless, manages applications to the housing register, provides services to applicants with no recourse to public funds, manages access to supported accommodation and promotes the Council's range of low cost home ownership products through the Home Buy service.
- The **Allocations & Reviews** service allocates properties to people on the Council's housing register. The function is responsible for facilitating permanent re-housing and temporary accommodation placements, making best use of the Council's housing stock and reducing the use of costly bed & breakfast accommodation for homeless households. The service also includes the Housing Benefit Assist team which works with households impacted by Welfare Reform.
- The **Temporary Accommodation** team are concerned with the procurement of accommodation to meet demand for temporary housing in accordance with the Council's statutory homelessness duty. The team manage tenancies in directly managed property and manage contracts and leases with a range of landlords and managing agents.
- Housing is also responsible for developing housing strategy, policy and initiatives (including managing the impact of the Government's Welfare Reform programme).

7.6 It is important to note that although the gross expenditure budget for Temporary Accommodation (TA) currently accounts for over 80% of HRD's

⁵ Support services costs have been apportioned to key services

total budgeted 2015/16 spend (£16.7m of £20.0m), there is limited potential for significant savings to be generated from TA budgets due to the inter-relationship between rental income from tenants and rental payments to landlords. Whilst it is possible to spend less on TA, this will have the effect of also reducing income in most instances and therefore will have a smaller or nil effect on net expenditure or indeed in some scenarios could increase it. Generally speaking, in securing TA the Council is trying to match the cost paid to the owner with the money recouped from or via the tenant, usually through Housing Benefit. Where this is achieved, the loss of the property will reduce payments out to the landlord but this reduction will be matched by the loss of income from the tenants through rent or Housing Benefit so the effect on net expenditure is nil. In some instances, usually where advantageous terms have been negotiated with landlords some years ago, income from Housing Benefit can exceed the cost. Where this property leaves the portfolio and the payments out disappear, the income is also lost, with the effect that net expenditure increases. Against this, where there is a large net cost associated with the use of particular properties, such as in the case of Bed & Breakfast accommodation for families, savings can be achieved by reducing or eliminating the use of this form of accommodation.

Savings Proposals

7.7 Housing has achieved the planned savings target of £265k via the following proposal:

- Saving in temporary accommodation (£265k). This efficiency relates to a reduction in temporary accommodation procurement costs associated with the Council's Housing Associations Leasing Scheme following the phased return to the landlord of a scheme at Hamlet Gardens following the end of a 20 year lease and the sale of the properties by the housing association. The council did not have the option to retain use of the properties but achieved a slower, phased exit from the lease. This is making it easier to place residents without paying a premium to a private landlord, producing this £265k saving.

7.8 There are no significant service delivery implications arising from the savings, indeed the savings emanating from temporary accommodation reflect the success of measures to avoid the use of unsuitable Bed & Breakfast and therefore reflect the provision of a better standard of accommodation for homeless households.

Risks

7.9 It is proposed to manage the on-going impact of the changes brought about by the Government's programme of Welfare Reform via the proactive management of risks.

7.10 The risks facing the department relate primarily to managing the impact of the changes brought about by the Government's programme of Welfare Reform, and are considered to be five-fold:

- the loss of tenancies in the private sector arising from welfare reform measures some of which are already fully in place leading to increased homelessness and the greater use of expensive temporary accommodation such as 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 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;
- loss of tenancies in the private sector or direct loss of income in Council-managed temporary accommodation arising from the direct payment of benefits to claimants under Universal Credit and again, with the potential risk of increased homelessness and the use of B&B;
- inflationary pressures on costs as a result of increased demand for B&B and other forms of temporary accommodation across London.

7.11 The potential financial impact can be distilled into three main areas:

Impact of Benefit Cap and Direct Payments:

7.12 Overall Benefit Cap: It is anticipated that the risk relating to the Overall Benefit Cap will be in the range £0.19m - £0.39m in 2016/17 and then increase to £0.26m - £0.53m from 2017/18 onwards as a result of the Government's plan to reduce the Overall Benefit Cap from a maximum of £26,000 per annum to £23,000 per annum for single parents and couples with children.

7.13 Direct Payments: the Council is one of the ten pathfinder areas for Universal Credit, the initial pilot implementation which commenced on 28 October 2013 was only for a limited number of claimants (newly unemployed single people) and excluded those who were previously in receipt of housing benefit. In June 2014, the Department for Work and Pensions (DWP) expanded the cohort of eligible claimants for Universal Credit to include couples without children and included some categories of claimants previously in receipt of housing benefit. Currently, all singles, couples with or without children, or lone parents making new claims for subsistence benefit or those who have had a break in their previous claim are eligible for Universal Credit. Although the programme set out by DWP is subject to regular change, it is anticipated that during 2016 all new benefit claimants across the country will claim Universal Credit instead of the legacy benefits it replaces. Further, the majority of the remaining legacy caseload is expected to be moved over to Universal Credit during 2016 and 2017.

7.14 This means that in 2016/17 some new claimants will be entitled to benefit to cover their housing costs which may potentially impact on rent collection

rates. Estimated 2016/17 rental income from B&B and PSL is £12.998m. The full year potential effect on the collection rate in 2016/17 is anticipated to be relatively insignificant (as the budgeted bad debt provision is expected to cover this) but based on the phased implementation outlined above, the predicted risk of an unbudgeted bad debt charge to the General Fund increases to £0.6m in 2017/18 and rises further to £1.8m in 2018/19.

Welfare Reform – potential impact on B&B costs:

7.15 Increased B&B costs: the budget assumption is that the number of households in B&B will be 100 by March 2016. On the assumption that the number of households in B&B reaches 130 by March 2017, and rises to 160 by March 2018 and 190 by March 2019, and that a third of all households in B&B are comprised of large families, the net cost will increase by £0.3m in 2016/17, £0.5m in 2017/18 and £0.6m in 2018/19.

Local Housing Allowance and Increases in PSL and B&B costs:

7.16 Additionally, there is a risk that current subsidy entitlements, which are calculated on the basis of the Local Housing Allowance (LHA) at January 2011, may be updated and there is a risk of inflationary pressures on costs as a result of increased demand for B&B and Temporary Accommodation across London. This risk is estimated to expose the General Fund to a further £0.7m in 2016/17, £1.6m in 2017/18, and £2.1m in 2018/19.

Increase number of homelessness acceptances

7.17 Further there is a risk that homelessness acceptances will increase in future years as a result of current and emerging Government policy. 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 £0.3m in 2016/17, £0.7m in 2017/18 and £1.3m in 2018/19.

7.18 This represents a total overall exposure for risks of £1.7m in 2016/17 (rising to £3.9m in 2017/18, and £6.4m in 2018/19).

Comments of the Lead Directors for Libraries on the Budget Proposals

7.19 In reducing its spending, the Libraries and Archives Service aims to:

- Protect customer-facing service as far as possible and continue to provide a high quality of service
- Seek cost reductions and improve efficiency and affordability
- Explore alternatives to cuts such as increased income from commercial opportunities.

Libraries Growth (to be confirmed)

7.20 There is a requirement for up to £65k for rental for Lilla Huset where the LBHF archive collections are held. This has previously been a peppercorn rent which is coming to the end of its term in 2016/17. Alternatives have

been considered, but the most cost-effective option is to continue at the Lilla Huset facility.

Libraries Savings

- 7.21 There may be opportunities to increase income from utilisation of spaces for commercial activities, events and ceremonies. This is a modest proposal to generate £20k from further use, making more use of attractive heritage buildings such as Fulham and Hammersmith libraries.

Libraries Fees and Charges

- 7.22 It is proposed that there are no increases to fees within Libraries.

8 Equality Implications

- 8.1 Published with this report is a draft Equality Impact Analysis ('EIA'). The EIA assesses the impacts on equality of the main items in the budget proposals relevant to this PAC. The draft EIA is attached, in Appendix 4. A final EIA will be reported to Budget Council.

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

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

Appendix 1a –Housing Savings and Growth Proposals

Appendix 1b – Libraries Savings and Growth Proposals

Appendix 2 – Housing Departments Risks (Libraries risks nil)

Appendix 3 - Fees and Charges Not Increasing at the Standard Rate

Appendix 4 – Draft Equality Impact Assessment

Housing Department Budget Proposals (General Fund)**Appendix 1a**

Service	Description of Budget Change	2016-17 Budget Change (£000's)
Savings		
Housing Options	Savings in Temporary Accommodation	(265)
Savings		(265)
Growth		
Housing Options	None	0
Growth		0

Libraries & Archives Shared Service Budget Proposals**Appendix 1b**

Service	Description of Budget Change	2016-17 Budget Change (£000's)
Savings		
Libraries & Archives	Additional income from commercial opportunities in library spaces e.g. coffee carts	(10)
Libraries & Archives	Use of libraries for weddings, conferences and events outside opening hours	(10)
Savings		(20)
Growth		
Libraries & Archives	Increase in rent on archives storage at Lilla Husset	65
Growth		65

Division	Short Description of Risk	2016/17 Value £000k
Housing Dept		
Temporary Accommodation	Impact of the benefit cap and direct payments on bad debt charges	388
Temporary Accommodation	Welfare reform - potential impact on Bed & Breakfast costs	328
Temporary Accommodation	Greater than expected increase in Private Sector Leasing / Bed and Breakfast costs	659
Temporary Accommodation	Increase in number of homelessness acceptances	304
Housing Dept Total Risks		1,679

Fee Description	2015/16 Charge (£)	2016/17 Charge (£)	Proposed Variation (%)	Comment/Explanation
Adult Education				
Adult Education Class Full Fee per hour Band B	£2.27	£2.27	⇒ 0.0%	Charge Frozen
Adult Education Class Full Fee per hour Band C	£3.46	£3.46	⇒ 0.0%	
Adult Education Class Full Fee per hour Band E	£5.94	£5.94	⇒ 0.0%	
Adult Education Class Full Fee per hour Band F	£11.52	£11.52	⇒ 0.0%	
Private Sector Leasing				
Private Sector Leasing Water Charges	Varies	Varies	Subject to water company increase, expected in January 2016	The charge is determined by the annual increase set by the water companies.
Private Sector Leasing Rent (average per week)	£298.04 as at 1st September 2014	£295.85 as at 1st September 2015	n/a	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 is 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.
Bed and Breakfast Temporary Accommodation				
B & B Rent Single/Family (Average per week)	£213.49 as at 1st September 2014	£228.43 as at 1st September 2015	n/a	Since April 2012, the B&B 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. This fee is the LHA threshold for one bedroom properties.
B & B Amenity Charges - Single Adult	£10.45	£10.45	⇒ 0.0%	
B & B Amenity Charges - Two Adults	£13.36	£13.36	⇒ 0.0%	
B & B Amenity Charges - Single Adult & Children	£11.02	£11.02	⇒ 0.0%	
B & B Amenity Charges - Two Adults and Children	£13.92	£13.92	⇒ 0.0%	
B & B Amenity Charges - Three Adults and Children	£16.93	£16.93	⇒ 0.0%	
B & B Amenity Charges - Four Adults and Children	£19.72	£19.72	⇒ 0.0%	
B & B Amenity Charges - any additional adult	£2.89	£2.89	⇒ 0.0%	

Fee Description	2015/16 Charge (£)	2016/17 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
A4 black and white - self service	£0.10	£0.10	→ 0.0%	The charges have been frozen to encourage public use.
A3 black and white - self service	£0.20	£0.20	→ 0.0%	
A4 black and white - assisted service	£0.20	£0.20	→ 0.0%	
A4 colour - self service	£0.80	£0.80	→ 0.0%	
A3 colour - self service	£1.50	£1.50	→ 0.0%	
A4 colour - assisted	£1.50	£1.50	→ 0.0%	
A3 colour - assisted	£2.00	£2.00	→ 0.0%	
Community Resources (Ext)	various	various	→ 0.0%	Community groups (Voluntary groups in H&F only, registered charities & residents' associations only) During library hours: £17.50 per hour Outside library hours: £55 per hour Other groups During library hours: £35 per hour Outside library hours: £110 per hour
Miscellaneous Sales	various	various	→ 0.0%	Misc Sales
Internet Income	£0.50	£0.50	→ 0.0%	Library members: first half-hour per day - free, each subsequent half-hour - 50p Non members for every half hour: 50p Children under 16: Free 3 hour block-booking: £2.00
Library Fines	various	various	→ 0.0%	10p per day (16 to 17 year olds) 25p per day per item for books, CDs and spoken word formats 75p per day for DVDs & Boxed Sets 25p per day per Learning Pack / Language Course
Lost / Damaged Charges	various	various	→ 0.0%	Replacement Cards etc
Video / DVD Hire Income	various	various	→ 0.0%	Single DVD £1.50 per loan and renewal Box Set £3.50 per loan and renewal Language Packs £2.50 per three week loan and renewal
Hall Lets / Room Hire	per hour	per hour	→ 0.0%	Letting income
Property Rent	Annual	Annual	→ 0.0%	Fulham
Sale Items - guide prices - No VAT Charged - Withdrawn items	per hour	per hour	→ 0.0%	Withdrawn library items

Appendix 4 - Equality Impact Assessment (EIA)

Housing Service

Budget Proposals 2016/17

Efficiency Savings

Temporary Accommodation Savings: £265k

This efficiency relates to a reduction in temporary accommodation procurement costs associated with the Council's Housing Associations Leasing Scheme following the phased return to the landlord of a scheme at Hamlet Gardens following the end of a 20 year lease and the sale of the properties by the housing association. The council did not have the option to retain use of the properties but achieved a slower, phased exit from the lease. This is making it easier to place residents without paying a premium to a private landlord, producing this £265k saving. The effect on clients transferred from their accommodation at Hamlet Gardens is expected to be positive or neutral as the Council will maintain its' on-going duty to provide accommodation to all households and has been able to do so in a phased manner rather than all at once. This efficiency has already been partially achieved during 2015/16.

Libraries

Budget Proposals 2016/17

Growth

There is a requirement for up to £65k for rental for Lilla Huset where the LBHF archive collections are held. This has previously been a peppercorn rent which is coming to the end of its term in 2016/17. Alternatives have been considered, but the most cost-effective option is to continue at the Lilla Huset facility. There is no predicted equalities impact.

Savings

There may be opportunities to increase income from utilisation of spaces for commercial activities, events and ceremonies. This is a modest proposal to generate £20k from further use, making more use of attractive heritage buildings such as Fulham and Hammersmith libraries. There is a potential positive equalities impact through providing greater access for civil partnership ceremonies.

Fees & Charges

It is proposed that there are no increases to fees within Libraries so there are no expected equalities impact.

Economic Regeneration, Housing & the Arts PAC Work Programme 2015/16

2nd June 2015		
Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Progress review of the issues addressed by the PAC since its formation	Craig Bowdery	To continue the progress review that was started at the Committee's previous meeting
Taskforce on Social Value Procurement	Cllr Ben Coleman / Craig Bowdery	To receive the draft Final Report of the Taskforce and consider the recommendations to be made to Cabinet
Draft response to the Government's Business Rates Review	Craig Bowdery	To consider a draft response to the consultation, based on last year's Business Rates Scrutiny Task Group

7th July 2015		
Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Housing strategy second phase of consultation on the council's housing allocation scheme; tenancy strategy; and home buy allocation scheme draft documents	Mike England	To consider the proposed housing allocation scheme, tenancy strategy, and home buy allocation scheme and make comment upon them before their adoption

8th September 2015		
Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Arts Strategy	Donna Pentelow	To review the Council's proposed Arts Strategy and an update on the issues raised at the Committee's March meeting

Economic Regeneration, Housing & the Arts PAC Work Programme 2015/16

3 rd November 2015 Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Residents Commission on Council Housing	Mike England	To consider the report submitted by the Residents Commission

1 st December 2015 Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
The Financial Plan for Council Homes	Kath Corbett/Danny Rochford	To review the HRA budget (including the 2016/17 rent increases and investments) before approval by Cabinet in early January 2016
Leaseholder Billing	Kath Corbett	To understand how leaseholders are invoiced and consider ways in which invoices can be made clearer and more understandable.
Work Programme	Ainsley Gilbert	To consider the committee's work programme.

19 th January 2016 Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
The draft Budget 2016/17	Mark Jones/Danny Rochford/Paul Gulley	To review the 2016/17 budget for the departments covered by this committee.

Economic Regeneration, Housing & the Arts PAC Work Programme 2015/16

8 th March 2016 Small Hall, HTH. 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Residents Commission on Council Housing	Mike England	To consider decisions taken by Cabinet following its consideration of the Residents Commission on Council Housing

20 th April 2016 St John's Church, North End Road/Vanston Place 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Update on Bloemfontein Road and North End Road re high street regeneration –	Antonia Hollingsworth	To scrutinise what the administration has done over regeneration of North End Road and Bloemfontein Road and to discuss future plans and proposals for the two areas. For the North End Road Action Group (NERAG) to report on their work over the last year and a half.

7 th June 2016 Small Hall, HTH or Michael Stewart House (SH Scheme). 7:00pm.		
ITEM	LEAD OFFICER	REPORT BRIEF
Sheltered accommodation	Mike England	To review the Council's provision of sheltered accommodation and support for vulnerable residents

Economic Regeneration, Housing & the Arts PAC Work Programme 2015/16

Potential Future Items		
ITEM	LEAD OFFICER	REPORT BRIEF
Housing for disabled people	Helen McDonough	To consider the proposed actions for meeting the housing needs of disabled people
Update on the Resident Involvement Structure	Daniel Miller	To receive an update on the Council's work to establish a structure consisting of a number of panels and groups designed to provide Council Tenants and Leaseholders with greater decision making powers and increased involvement
Residents Communication Strategy	Mike England	To consider how the Council communicates and shares information with Council housing residents.
The private rented sector	Nick Austin	To consider the licensing options available to the Council to help protect and support residents in the private rented sector
Tackling worklessness	Antonia Hollingsworth	To assess the impact of the Government's welfare reforms and the measures undertaken by the Council to help people back into work, including the OnePlace project with JobCentre+
The development of new KPIs for Mitie	Steven Kirrage	To review the development of new Key Performance Indicators for the housing contractor Mitie. The new KPIs will more accurately monitor residents' key priorities
The Council's home energy strategy and measures to tackle fuel poverty	Nick Austin/Justine Dornan	To review the work of the Council to make homes as fuel efficient as possible and how vulnerable residents will be protected during the winter
Adult learning	Eamon Sconlon	To review the adult learning curriculum delivered by the Council
Doing business in Hammersmith & Fulham	Antonia Hollingsworth	To review the existing business regulation in the borough and to consider how the Council can make

Economic Regeneration, Housing & the Arts PAC Work Programme 2015/16

		Hammersmith & Fulham a good place to do business
The use of S.106 funds for Skills and Training	Peter Kemp	To consider how S.106 funds are spent on improving the skills of residents to meet the demands of business in the Borough