

**London Borough of Hammersmith & Fulham**

**THE ECONOMY, HOUSING AND THE ARTS  
POLICY & ACCOUNTABILITY COMMITTEE**

28<sup>th</sup> January 2019



**FINANCIAL PLAN FOR COUNCIL HOMES 2019/20**

**Report of the Cabinet Member for Housing and Cabinet Member for Finance and Commercial Services**

**Open Report**

**Classification** - For review and comment

**Key Decision:** No

**Other services consulted:**

**Wards Affected:** All

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## **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		