

**London Borough of Hammersmith & Fulham
The Economy, Housing and the Arts Policy
and Accountability Committee
Minutes**



Tuesday 25 January 2022

PRESENT

Committee members: Councillors Rory Vaughan (Chair), Daryl Brown, Ann Rosenberg, Helen Rowbottom and Adronie Alford

Other Councillors: Councillor Lisa Homan

Jonathan Pickstone – (Strategic Director The Economy), Emily Hill – (Director of Finance), Danny Rochford – (Head of Finance, Economy & Housing Revenue Account), Glendine Shepherd – (Assistant Director Housing Management), Richard Buckley – (Assistant Director Resident and Building Safety Housing) and Charles Francis – (Committee Services)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Andrew Jones.

2. ROLL - CALL AND DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 9 November 2021 were noted. As this was an informal meeting, minutes will be formally agreed at the next in person meeting.

4. PUBLIC QUESTIONS

No public questions were received.

5. 2022 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Corporate Budget Context

Emily Hill (Director of Finance) provided a corporate overview of the Council's budget.

In terms of the Government Spending Review 2021, it was noted that over the past few years there had been an increase in funding to local government, but historically,

looking back to 2010/11, there had been a 20% decrease in core spending power amongst London Boroughs. Details were provided on how core spending power was calculated, and it was highlighted that London had been hit harder than the rest of England in its funding cuts.

Looking forwards, Emily Hill provided an overview of public spending by Governmental Department (2021-22 to 2024-25), and it was noted that when social care reform costs were excluded, Local Government budgets will see a 1.8% increase (compared to 4.1% for health and social care over the same period).

Details were provided on recent savings and growth in Hammersmith and Fulham. It was noted that the level of savings to balance the budget had decreased over time and a significant proportion of growth had been allocated to health and social care as demand and pressures had increased.

The budget proposals for 2022/23 were summarised, noting that the Economy Department was one of the lower spending departments in the general fund and that due to Covid and health and social care pressures, most of the growth had been allocated for social care demand and inflation costs. Emily Hill explained that provisions had been made for inflation and contractual / pay inflation, but these remained a concern and inflation was a significant risk. Details were provided on the Government grant to Hammersmith and Fulham which had increased by £6.174 million and covered the employer's national insurance increase of 1.75%. However, it was highlighted that the future of the services grant of £4.2 million was uncertain with no guaranteed protection.

Summing up Emily Hill (Director of Finance) provided an overview of the corporate risks facing the Council.

2022 MTFS

Danny Rochford (Head of Finance, Economy & Housing Revenue Account) provided a presentation on the proposed Economy general fund budget for 2022/23, highlighting the following key points:

- The plan for the next financial year included a combination of inflation and temporary growth requirements, as well as savings.
- It delivered a diverse range of services (mostly statutory), continuing to prevent homelessness and eliminating rough sleeping, maximising income generation opportunities, ensuring Covid safety, as well as delivering the Civic Campus programme and the delivery of new homes and support for local businesses.
- The proposed budget for the Economy department includes the following services: Housing Solutions, Operations, Economic Development, Learning and Skills, Planning, Regeneration and Development and Place.
- £0.235m savings had been identified through: The consolidation of management and workforce, and the reduction in the use of agency staff (£200,000) - the final year of implementation of a three-year phased delivery programme, as well as a review of senior management posts funding and section 106 funding (£35,000).
- Permanent growth of £350,000 – Planning fees income, temporary growth (for one year) of £300,000 – Planning fees income, growth funded from reserves:

Regeneration & Development feasibility costs (£150,000) and inflation – Temporary Accommodation landlords (£0.5m).

- Housing Solution trends and the work to reduce temporary accommodation costs by using the private rented sector.
- An overview of the risks as set out in Appendix 2.

The Chair, Councillor Rory Vaughan, invited Councillor Lisa Homan, Cabinet Member for Housing to comment. Councillor Lisa Homan explained that in relation to Housing Solutions, the Council was unsure what the future held. However, there were risks, including those persons that were getting evicted as Covid restrictions had ended. Councillor Lisa Homan commended the work which had been done by Housing officers to contain costs and ameliorate the budget. Councillor Lisa Homan confirmed the Council's record on homelessness and rough sleeping was very good and the Authority had performed well in looking after vulnerable persons during a time of fiscal constraints.

The Chair, Councillor Rory Vaughan echoed Councillor Homan's remarks and stated it was evident a considerable amount of work had been conducted to keep the budget in check in relation to temporary accommodation and a number of associated housing pressures.

In relation to the Homelessness Reduction Act, Councillor Adronie Alford asked for clarification as to whether the risks relating to accepting another 70 people presenting as homeless and a further 70 presenting under the Domestic Abuse Act were separate. In response, Danny Rochford confirmed the figures were for separate items and were correct in being 70 each under the different Acts.

Looking at the changing mix of accommodation from short term monthly, to longer term, Councillor Adronie Alford sought clarification as to whether the report was referring to tenancies or how this was paid for. In response, Danny Rochford confirmed that when the Council procured temporary accommodation, it was far more expensive if this was for a short term, rather than on a long term basis with Private Sector landlords which could offer more affordable long term lets.

Where the report mentioned weather conditions with regard to the volatility in Planning income, Councillor Adronie Alford asked if this related to climate change or seasonal bad weather. In response, Danny Rochford confirmed that when adverse weather struck it would have a negative impact on developers, as bad weather would slow development progress.

The Chair, Councillor Rory Vaughan noted the cost pressures which had arisen in Planning, cost cycles and the structural gaps which the report had alluded to which required shoring up in the medium term. In response, Danny Rochford confirmed that in future years it was anticipated that future planning income would help cover costs (to possibly pre-pandemic levels). Danny explained that the permanent growth allocation recognised the structural issues and that Planning required support in the medium term to balance its budget. However, there was still an expectation that Planning income would recover.

The Chair thanked officers for their work on the budget and acknowledged that finding savings was a challenging task given the level of savings which had been achieved over the past few years. The Chair noted all the work which had been conducted on temporary accommodation and the cost savings which had been achieved.

RESOLVED

That the Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.

That the PAC considers the proposed changes to fees and charges and makes recommendations as appropriate

6. FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT (HRA) 2022/23 HRA BUDGET, 2022/23 RENT SETTING AND HRA 40-YEAR FINANCIAL BUSINESS PLAN

Danny Rochford (Head of Finance, Economy & Housing Revenue Account) provided a presentation on the HRA highlighting the following key points:

- The HRA was presented to the Housing Representatives Forum and support was received for a rent increase.
- The rent increase of 1.5% (real terms reduction), was well below the Government's proposal of 4.1%. The average rent will be lower than neighbouring boroughs' average rent.
- The 1.5% rent increase will place further pressures on the HRA.
- Significant emerging pressures included – Depreciation - £1m, Void Homes – £0.7m, Inflation - £0.6m, Improvements to repairs and maintenance - £0.4m, Health & Social Care Levy - £0.25m
- Therefore, savings of £3.8m were needed for 2023, rising to £7.1m in 2024.
- Most of the savings required remained unidentified at this stage. Officers would be working over the next few months to meet these targets.
- The challenging savings target must be achieved to ensure the financial sustainability of the HRA.
- Both with and without the savings target, we are planning to spend more money than we have coming in. This means we will need to draw at least £4m from the HRA's reserves next year. Much of the reason we need to make more savings over the coming years is because reserves are reducing and we need to move quickly to a position where our costs are matched by income.
- The HRA's Long Term Financial Plan took the following factors into account: The current financial position, significant compliance and climate change capital spending plans, macro-economic changes and new affordable housing development schemes.
- Savings of £8m over the next 3 years were to be delivered through: a review of management costs, the Housing Transformation Programme, income opportunities and other plans yet to be identified.

The Chair invited Councillor Lisa Homan to comment on the HRA presentation. Councillor Lisa Homan explained the 1.5% rent increase recognised the recent increases in the cost of living and feedback from the Housing Representatives Forum was positive and included a number of suggestions where future savings might be identified. Councillor Lisa Homan commented that there was room for further efficiencies, but these would be challenging. Concluding her remarks, she commended the proposed rent increase and service charges as set out in the report, notwithstanding the uncertainty and level of risks which had also been highlighted.

Councillor Adronie Alford asked what the difference was between Hammersmith and Fulham rents and an average figure for Housing Associations operating in the borough.

Action – That Danny Rochford provide Councillor Adronie Alford with a list of rents comparing Hammersmith and Fulham properties with an average rent of Housing Associations operating in the borough.

Councillor Adronie Alford highlighted the lack of reserves in the Housing Revenue Account and commented she was deeply concerned about the unidentified savings and level of savings which were required.

Commenting on the reduction of income due to the higher void rate, Councillor Adronie Alford asked whether this was due to the constraints of the Covid period (with works being delayed) , or whether it was due to historical issues with housing stock such as mould and damp. In response, Richard Buckley, Assistant Director Resident and Building Safety explained that Housing had been working with Finance to reduce the forecast and one of the reasons for this was the handover from the interim contract that was awarded to United Living (which under-performed). The Council were currently working with Morgan Sindall, Kiers and Mears and officers were confident that the voids performance would be back on track within six months.

In relation to significance compliance and climate change capital spending plans, Councillor Adronie Alford asked if this included the sums which had been identified for damp and mould or whether these were additional costs. In response, Richard Buckley confirmed that damp and mould was covered by the Asset Management Capital Strategy for the 12-year Investment Strategy. Closing her remarks, Councillor Adronie Alford reiterated her concerns about the need to find unidentified savings and requested through the Chair, that the Committee be provided with a further update on how the savings were being addressed.

Action – The Chair asked Danny Rochford to provide a further update on the progress to address unidentified savings to a future meeting.

The Chair welcomed the real terms cut in rent and that this proposal had been discussed and supported by residents at the relevant forums. Councillor Rory Vaughan noted the significant pressures on the Housing Revenue Account and that savings remained unidentified at the present time. He asked for further details on

how these savings would be found and what the likely timescales were to identify the savings. In response, Danny Rochford explained officers were in the process of identifying savings and officers could report back in several months' time. Emily Hill, Director of Finance, confirmed that officers had started a wide-ranging review of repairs, as well as a review of costs, which would include a benchmarking exercise. Other potential areas for savings included the Housing Transformation Programme and digitisation of services to tenants.

Concluding, the Chair commented it was evident there were several ongoing workstreams to help try and find (currently) unidentified savings. The Committee welcomed the 1.5% rent increase given the pressures on tenants and residents and thanked officers for their hard work on the budget.

RESOLVED

That PAC notes and comments on the Housing Revenue Account 2022/23 budget and the 40-year HRA financial plan.

Meeting started: 6.30 pm
Meeting ended: 8.03 pm

Chair

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