


<p>Non-Executive Report of the:</p> <p>Housing Scrutiny Sub Committee</p> <p>29 January 2019</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Mark Baigent, Interim Divisional Director, Housing and Regeneration</p>	<p>Classification: [Unrestricted]</p>
<p>Review of Housing Budget Allocation</p>	

Executive Summary

- 1.1 This report provides the Housing Scrutiny Sub Committee details of the budgets for the Housing Revenue Account and General Fund accounts for 2018/19 and draft budgets for 2019/20. Highlighting community development as a HRA growth area, it also provides information on resources allocated to tackling homelessness, temporary accommodation rent arrears, new housing delivery and modular housing.

The report is split into three parts:

Part 1 – Draft budgets for the Housing Revenue Account and General Fund Account, proposed policy changes by Government and appendices - including savings proposals (*pages 2 – 8*)

Part 2 – Housing Delivery Vehicles – Mulberry Housing and Seahorse Homes (*pages 8 – 9*)

Part 3 – Tackling homelessness and preventing rough sleeping – resources (homelessness and rough sleeping grants), rents arrears and universal credit and modular housing (*pages 9 – 11*)

2 Recommendations:

The Housing Scrutiny Sub Committee is recommended to:

- Note the contents of the report.

3 DETAILS OF THE REPORT

3.1 Housing and Regeneration Division

- Situated in the Place Directorate, the Housing and Regeneration Division supports delivery of new housing, manages the allocations process, facilitates improvements to the management, conditions and energy efficiency of housing stock and delivers statutory homelessness functions. This Division leads on:
- Housing development and management through partnerships with the ALMO, Registered Providers (RPs) and housing delivery vehicles
- Improving housing conditions and management standards across the borough
- Supporting the delivery of major regeneration schemes
- Grants and loans relating to adaptations for disabled occupants, removal of minor hazards in the home, home security, energy efficiency and to bring empty properties back into use
- Responding to climate change, facilitating sustainable transport, supporting sustainable business and the local green economy, and encouraging Fair Trade
- Reducing energy consumption and tackling fuel poverty
- Increasing access to nature and green spaces
- Statutory homelessness services, preventing homelessness and managing a portfolio of temporary accommodation
- Maintaining the housing waiting list and allocations, offering real housing options, tackling overcrowding and under occupation

3.2 The strategic priorities and outcomes that the Division contributes to delivery of are:

Priority 2: A borough that our residents are proud of and love to live in

Outcomes:

- People live in a borough that is clean and green.
- People live in good quality affordable homes and well-designed neighbourhoods.
- People feel safer in their neighbourhoods and anti-social behaviour is tackled.
- People feel they are part of a cohesive and vibrant community.

PART 1

4 Housing Revenue Account (HRA)

- 4.1 The HRA relates to the activities of the Council as landlord of its dwelling stock, and the items to be credited to the HRA are prescribed by statute. Income is primarily derived from tenants' rents and service charges, and expenditure includes repairs and maintenance and the provision of services to manage the Council's housing stock.
- 4.2 In April 2012, HRA Self-Financing was introduced to replace the national HRA subsidy system. Under Self-Financing, local authorities retain all income but are responsible for all expenditure relating to their housing stock; with local authorities able to make decisions about their stock and engage in long-term planning. Recent policies introduced or announced by the government have substantially reduced the discretion that local authorities are able to exercise, for example in relation to rent setting, tenancy types and asset management.

DRAFT HRA BUDGET 2019-20

Rent Reduction

- 4.3 The national 1% annual rent reduction which came into effect in 2016-17 continues for four years until 2019-20. The effect of this reduction has been incorporated into the 2019-20 budgets in Appendix 1.

Tenant Service Charges

- 4.4 It is proposed that tenanted service charges be increased by 3.4%. This is consistent with the previously adopted Government rent policy which increased rents in accordance with the previous year's September Consumer Price Index +1%. In this case, the September 2018 CPI was 2.4%, which will lead to an average weekly increase in tenanted service charges of approximately £0.28. It should be noted that energy charges are billed separately based on actual costs incurred.
- 4.5 The current year's budget for tenanted service charges is £4,818,000. As a result of the proposed increase in charges and the movements in stock arising from property acquisitions and disposals (including right to buy sales), the 2019/20 budget is estimated at £4,887,000. This is reflected in the 2019-20 budget in Appendix 1.

Savings

- 4.6 At its meeting on July 26th 2016, the Mayor in Cabinet agreed a HRA medium- term savings target of £6m. In 2019-20 savings of £1.086m have been made across the delegated budgets. However, as well as these savings there are also elements of time-limited growth requested within the 2019-20 management fee – these are outlined later in the report.

Repairs & Maintenance

- 4.7 The 2019-20 repairs and maintenance budget has been reduced by £500k as there is currently extra capacity within this budget to meet forecast need. Essentially the repairs savings are taking out elements of historically underspent budgets. These mainly arise from a combination of communal, voids and decoration budgets together with the inflation increases agreed as part of the Mears contract extension.

Energy

- 4.8 The 2019/20 energy budget has been reduced by £400k as, despite current forecasts that 2019/20 energy contract prices will increase, there is currently extra capacity within this budget to meet projected demand.

Interest Income

- 4.9 Work on budget setting has identified an area of income that is currently not budgeted for, that is the interest that is charged to leaseholders, principally this is due to interest arising from income recovery action through the courts by way of county court judgements. It is considered that £130k is a prudent provision to make for this interest.

Growth

- 4.10 The Community Development Programme has been successful in combatting Anti-Social Behaviour and a targeted increase in provision is proposed over a three year period as detailed in the table below:

Project	2019/20	2020/21	2021/22	Total
ASB Diversionary Programme with Streets of Growth Project - 17 plus	50,000	50,000	50,000	150,000
Estate youth centres & outreach - under 16	150,000	200,000	200,000	550,000
Community Food Gardens (CFG)	75,000	50,000	50,000	175,000
Health & Wellbeing programme	75,000	100,000	100,000	275,000
Financial Health and Employment & Enterprise	75,000	100,000	100,000	275,000
Capacity building & small grants programme for TRAs	75,000	75,000	75,000	225,000
TOTAL	500,000	575,000	575,000	1,650,000

Table 1 – Summary of Community Development Programme growth

Management Fee

- 4.11 In February 2018, The Mayor in Cabinet approved the 2018-19 Management Fee payable to Tower Hamlets Homes (THH) for services provided to the Council. At £30.979m, the Management Fee represents the largest single expenditure element of the HRA budget.
- 4.12 The table below shows the calculation of the proposed 2019-20 Management Fee payable to THH.

Description	Total £m
Management Fee 2018-19	30.979
add: 2018/19 Pay award (TBC)	0.380
less: 'One-Off' Growth - Fire and Other Safety	(0.050)
less: 'One-Off' Growth - Other	(0.504)
Base Management Fee 2018-19	30.805
Growth: extend Fire Safety teams for two years	300
Management Fee 2019-20	31.105

Table 2 – Calculation of 2019-20 Management Fee

- 4.13 At this stage, the proposed management fee does not include an inflationary increase in relation to a pay award. Salary costs represent approximately £20.0m of the management fee, resulting in an increase in employee costs of approximately £400,000 if a pay award of 2% is agreed. These costs are built into the HRA MTFP but will only be released to THH once the pay award is formally agreed.

One-off Growth Items

- 4.14 The 2019-20 management fee incorporates growth of £300,000 a year for the next two years. This relates to extending the fire safety team for two years to enable visits to be undertaken to all residents in order to minimise the risk from fire. It should be noted that there have been other benefits from the fire safety team's visits including the identification of Houses of Multiple Occupation (HMOs) and illegal subletting.

Risks

- 4.15 Increasing costs associated with staffing and accommodation continue to be a risk and will be monitored and reported in the year.

MEDIUM TERM FINANCIAL PLAN

- 4.16 Appendix 1 shows the HRA Medium Term Financial Plan (MTFP) for the period 2019-20 to 2023-24.

Overall position on the HRA

- 4.17 The MTFP incorporates various income and expenditure assumptions and includes changes that will affect the budget, for example changes to stock numbers due to assumed Right to Buy sales and new supply resulting from agreed new-build schemes.
- 4.18 The latest HRA MTFP is shown at Appendix 1. The revised MTFP shows that, on current projections, the HRA reserve will reduce over the next few years, but will remain above the assumed minimum balance of £15m.

Capital Programme and Stock Needs

- 4.19 The current stock condition survey provides an updated view of the needs of the Authority's current stock over the next 30 years, plus additional sums of £50m for fire safety works, £20m for energy efficiency and £30m for environmental works. On current projections the capital

programme outlined is fully funded over the 30 year period, although it is essential that before future capital estimates are formally adopted, schemes are assessed in light of their affordability within the HRA.

New Housing Supply

- 4.20 In relation to new housing supply, recent financial modelling has been undertaken which indicates that – on current assumptions – it would be possible for the HRA to finance all current and planned new housing supply schemes now that the HRA debt cap has been abolished. It should be noted that this does not include the acquisition of properties that are being acquired for use as temporary accommodation as these are being purchased by and held within the General Fund, nor does it include the purchase of s106 properties proposed to be held by the Community Benefit Society (CBS).
- 4.21 It should also be noted that current modelling assumptions are that no HRA debt is repaid during the 30 year period, and that an assessment needs to be made about whether this is the approach that the Council wishes to take in relation to HRA debt.

UPDATE ON GOVERNMENT POLICIES AFFECTING THE HRA

- 4.22 There have been a number of recent government consultations and announcements and these are outlined below.

Removal of HRA debt cap

- 4.23 The government announced in October 2018 that the HRA debt cap would be scrapped and this took effect from October 29th 2018. Removing the HRA debt cap means that instead of having a limit to the amount of debt that the HRA can undertake, HRA borrowing will in future – along with General Fund borrowing - be subject to the Prudential Code meaning that borrowing must be affordable, prudent and sustainable.
- 4.24 Under current rules, although interest charges on outstanding debt must be paid, the HRA has not made any provision for debt repayment in recent years. As non repayment of debt is not sustainable over the long-term as it would result in increasing levels of interest charges being incurred on a scheme, the Chief Financial Officer considers that the charging of Minimum Revenue Provision (MRP) should be made to ensure the repayment of any borrowing is made over the usable lifespan of the assets, similar to the Minimum Revenue Provision (MRP) arrangements that operate for the Council's General Fund. If MRP is not charged, then future administrations will inherit ongoing debt costs that will be very difficult to reduce within budget constraints.

Social Rent policy post 2019/20

- 4.25 On September 13th 2018 the government published a consultation '*Rents for social housing from 2020/21*' in which the government set out its proposals in relation to social rent policy from 2020/21.
- 4.26 In the consultation the government is proposing that the Regulator of Social Housing's rent standard will:
- permit Registered Providers (RPs) to increase their rents by a maximum of CPI + 1% for at least five years
 - also now apply to Local Authorities

- 4.27 If the government's proposals are implemented then this would mean that in future local authorities would no longer have any discretion over their rent policy and would have to adhere to the Regulator's rent standard.
- 4.28 Historically local authorities have been able to make decisions on their rent policy with the only control mechanism being the annual 'Limit Rent', used to control Housing Benefit grant paid to the Authority by the Government.
- 4.29 With the introduction of HRA Self-Financing in April 2012, in return for being responsible for all items of expenditure within the HRA, local authorities were meant to have discretion over their rent policy. As rent is the largest income stream within the HRA, having discretion over rent levels is crucial in terms of running the HRA as a 'business'.
- 4.30 However, since 2012, the government has – in relation to rents –:
- ended their rent restructuring policy a year early;
 - implemented legislation to impose a 1% rent cut for four years;
 - now proposed that the Regulator's rent standard will apply to local authorities (as well as RPs) so that annual rent increases will be set out by the Regulator.
- 4.31 Until the government publishes its final proposals the impact on the HRA cannot be definitively quantified, however, the most recent HRA 30 year financial modelling already assumes that after the four years of 1% rent cuts, HRA rents will increase by CPI + 1% for five years, and then by CPI only. The financial model assumes CPI of 2% throughout the 30 year period.
- 4.32 The government published its housing Green Paper '*A new deal for social housing*' on August 14th 2018. In his foreword the Secretary of State set out the five principles that underlie the Green Paper:
1. Ensuring that homes are safe and decent
 2. Swift and effective resolution of disputes
 3. Empowering residents and making sure their voices are heard
 4. Addressing the stigma that residents in social housing face
 5. Boosting the supply of social housing and supporting home ownership

Possible Impact on the HRA

- 4.33 Until the consultation has ended and the government has published its response and policy proposals it will not be clear what the impact on the HRA will be. However any additional requirements could lead to extra costs in order for the Authority to maintain its housing stock at a higher standard.

Cancellation of the Sale of Higher Value voids levy

- 4.34 The government confirmed in August 2018 that this policy will not be implemented. Previous assumptions were that a levy of £8.4m would be payable in 2019-20, continuing for five years. This has now been removed from future year budgets.

Right to Buy receipts consultation - '*Use of receipts from Right to Buy sales*'

- 4.35.1 The government consultation proposed:
- Extending the time limit for using *existing* receipts from three to five years, but keeping the timescales for new receipts at three years.

- Right to Buy ring-fence - In June 2018 the Authority signed an agreement with the GLA that receipts that are unspent by the Authority by the three year deadline are returned to the government with interest, then passed to the GLA and subsequently ear-marked to be returned to the Authority as grant money, with another three years to spend. It is not clear whether the proposals resulting from the Right to Buy receipts consultation will have any impact on the status of this agreement.
- Flexibility of the 30% cap on 1-4-1 receipts funding new 'replacement social housing (currently the local authority must finance the remaining 70% from its own resources)
 - a) Increase the cap to 50% of build costs for homes for social rent where LAs meet the eligibility of the Affordable Homes Programme, and can demonstrate a clear need for social rent rather than affordable rent
 - b) Permit LAs to 'top-up' insufficient Right to Buy receipts with funding from the Affordable Homes Programme up to 30% of build cost for affordable rent, or up to 50% of build costs for social rent, where the LA can demonstrate a need for social rent (top up bids are to be submitted to the Affordable Homes Programme)
- Restricting property acquisitions - Introducing a cap per dwelling based on average build costs (£268k in inner London) ; acquiring a property at above these (indicative) caps would not be allowed (Government's preferred option) and allowing acquisitions in certain areas (e.g. where average build costs are more than acquisition costs). The Authority has adopted substantial capital estimates in order to undertake property acquisitions both in and out of the borough, but may need to revise this commitment when the government publishes its final proposals.
- Transferring land between the General Fund (GF) and the HRA - The government is considering relaxing the conditions so that LAs would be able to gift GF land to the HRA at zero cost, thereby making it easier for LAs to use GF land for housing.
- Suspension of interest payments for three months - The government is proposing that local authorities would have a short period of time – 3 months (current requirement is for immediate return) - to return receipts without paying interest.

Update on Right to Buy receipts position

- 4.35.2 Currently (as at the end of Q2 of 2018/19) the Authority has retained Right to Buy one for one receipts of £112.9 million, which means that, under the original (current) Right to Buy agreement, the Authority would have to spend £376.3 million on replacement social housing within three years i.e. the end of September 2021.
- 4.37 As at the end of Q2 of 2018/19, spend in excess of £121 million on replacement social housing has been reported to the government, in line with our spend targets. Table 1 below outlines future spend deadlines showing the three year deadlines, for information.

Deadline	Cumulative spend needed on replacement social housing £m
31-Dec-18	144.2
31-Mar-19	165.6
30-Jun-19	195.7
30-Sep-19	230.6
31-Dec-19	262.5
31-Mar-20	281.0
30-Jun-20	296.5
30-Sep-20	318.3
31-Dec-20	336.0
31-Mar-21	352.0
30-Jun-21	365.3

Deadline	Cumulative spend needed on replacement social housing £m
30-Sep-21	376.3

Table 3 – Three year spend deadlines for existing Right to Buy one for one receipts

- 4.38 The Authority's agreement with the GLA (returned receipts returned as grant money) means that it has added flexibility in relation to its deadlines to spend current Right to Buy receipts. It is however not currently clear whether proposed changes would supersede the agreement with the GLA to receive our expired Right to Buy receipts as grant and then give us an additional three years (on top of the a new five year deadline) to spend these.

Welfare Reform

- 4.39 The cumulative impact on the HRA will not be clear until the various reforms all take effect. Provision has been made within the HRA MTFP for an increase in bad debts but as the introduction of Universal Credit has been delayed once again it is not yet clear what the future level of bad debts will be.

HRA and HOUSING GENERAL FUND CAPITAL ESTIMATES TO BE ADOPTED

Appendix 1 DRAFT HRA MEDIUM TERM FINANCIAL STRATEGY

Appendix 2 HOUSING REVENUE ACCOUNT CAPITAL (as at the end of Q2)

Appendix 3 PLACE – HOUSING GENERAL FUND CAPITAL (as at the end of Q2)

Appendix 4 PLACE – HOUSING GENERAL FUND REVENUE

Appendix 5 PLACE, HOUSING SAVINGS PROPOSALS 2019 - 2022

- £800,000 - Appropriation of Housing Revenue Account (HRA) Shops to General Fund (GF)
- £300,000 - Pan-London Homelessness Prevention Procurement Hub ("Capital Letters")
- HRA (no growth areas identified)

Appendix 6 SUMMARY OF HOUSING PERFORMANCE ENDING Q2 2017/18

PART 2

5 HOUSING DELIVERY VEHICLES

- 5.1 On 7th February 2017, Cabinet agreed to establish two housing delivery vehicles, in order to expand the range of options available to the Council to deliver new supply across tenures, both permanent and temporary homes, with the two vehicles designed to operate in tandem:
- A Wholly Owned Company (WOC) with a commercial purpose to provide homes for rent and sale, returning a dividend to the Council from long term profit-making activities; and
 - A Community Benefit Society (CBS) to provide homes for sub-market rent, subsidised by grant of land and retained Right to Buy receipts, made possible by governance arrangements within which the Council holds a minority position.
- 5.2 The WOC is called Seahorse Homes Limited and the CBS Mulberry Housing Society.

- 5.3 Cabinet also approved £9M of retained Right to Buy receipts to be made available for Mulberry Housing Society to purchase affordable homes.
- 5.4 On 6 June 2018, Cabinet authorised the Corporate Director Place to award Right To Buy receipt grant funding of £2.3m to Mulberry Housing Society; in addition, allow 10% uplift to the agreed amounts to take account of potential increases in acquisition costs.

Applicant	Scheme	Total Units in Scheme	Total Intermediate	Total Market	Total Social Rents	Grant £
Mulberry Housing Society	Burdett Road	42	0	0	42	£2.3m

- 5.5 Grant requested: £2.3m to provide 42 new properties.
 Grant per unit = £55k
 Unit Mix =
 4 x 1 bed
 5 x 2 bed
 27 x 3 bed
 1 x 1 bed (wheelchair)
 3 x 3 bed (wheelchair)
- 5.6 The development is a S106 off-site affordable housing contribution for the Canary Wharf Group Newfoundland development in the Canary Wharf area.
- 5.7 Both vehicles are exploring further acquisitions and development options.

PART 3

6 TACKLING HOMELESSNESS AND PREVENTING ROUGH SLEEPING - RESOURCING

Homelessness services

- 6.1 The Housing Options homelessness service costs c.£36.2 million, with an income of £33.5 million, the services revenue cost to the general fund is c.2.7 million – this includes £1.7 million homeless prevention grant. Of the £1 million remaining budget, c. £934,000 is capital financing costs, which are fixed corporate costs for the acquisition of temporary accommodation and c. £650,000 is to fund corporate support services costs, both of which are uncontrollable costs.
- 6.2 In 2017, the Government introduced the ‘flexible homelessness support grant’ to Local Authorities to source and manage temporary accommodation, with a greater focus on homeless preventions. The first year’s allocations also included an extra amount to authorities with high temporary accommodation commitments. The new grant forms part of the wide range of measures the government is taking to prevent people from becoming homeless.
- 6.3 The funds comprise of support to implement the provisions within the Homelessness Reduction Act and innovative homelessness prevention services, a rough sleeping prevention fund and social Impact Bond programme to help long-term rough sleepers. Resources are directed to the areas with the greatest need and funding has been allocated according to a formula which reflects relative homeless pressures, while at the same time aiming to protect local authorities which currently have high levels of Temporary Accommodation.
- 6.4 The funding allocated for the 2 years from 2017 to 2018 is £186 million and £191 million respectively. A further £25 million has been set aside for London boroughs to work together to provide accommodation for homeless families in the capital. Tower Hamlets has been allocated

a total of £9.4 million from 1 April 2017 – 31 March 2019, with an estimated spend of £6.5 million, leaving a remaining balance of £1.6million. Tower Hamlets has also received a further allocation of £3.9million for 2019/2020.

Temporary Accommodation - rent arrears and universal credit

- 6.5 The gross debt position comprising of former and current rent arrears (temporary accommodation) is approximately £17m. The service is affected by non-payment of Discretionary Housing Payments and is working with partners to identify those clients who could be assisted into work or training and where possible transfers clients into cheaper accommodation. However, for many larger households this is not an option as no accommodation is affordable.
- 6.6 Following the autumn budget in 2017 the following changes were made in relation to Universal Credit and residents in Temporary Accommodation:
- “From 11 April 2018 residents of temporary accommodation who need to make a new claim for UC will only be eligible for the living cost element and will need to claim Housing Benefit in respect of their housing costs.
 - UC recipients living in temporary accommodation who are already getting the housing cost element will continue to do so until, there is a change in their rent liability on or after 11 April 2018.”
 - This was a welcome change as the switch to UC housing costs had greatly increased rent arrears for most landlords across all sectors.
 - The service continues to put resources into managing and monitoring the Universal Credit cases. The service provides substantial support to households whose rent is unaffordable and continues to liaise with the Housing Benefit Department and DWP on their behalf in order to enable them to sustain their tenancies.
- 6.7 Research done by the Residential Landlords Association showed that some 61% of landlords with tenants on Universal Credit had experienced them going into rent arrears, up from 27% in 2016. On average Universal Credit tenants in rent arrears owed almost £2,400, a 49% increase compared to 2017. The average Temporary Accommodation arrear due to UC is £2,894, which reflects the higher level of rents in TA.
- 6.8 As a result of the changes following the budget the number of TA residents who are claiming UC for housing costs is gradually reducing:
- March 2018 - 282
 - Sept 2018 - 272
 - Dec 2018 – 194
- The December figure represents 8% of the total number of TA tenants.
- 6.9 Under UC a tenant's housing costs are included in the sum that is paid directly into their bank account on a monthly basis with the expectation that the rent is passed on to the landlord. Unfortunately this is not always the case and some tenants fail to make payments or only pass on a proportion of the rent. Currently Universal Credit arrears stand at £561,533, an average of £2,894 per tenant.
- 6.10 One way of ensuring correct payment is by arranging an Alternative Payment Arrangement (APA) which means that the rent is paid by DWP directly to the Council. Currently, of the 194 tenants receiving UC housing costs 133 are on an APA. Although the APA application process is bureaucratic and time consuming we are working to increase this number in order to prevent further arrears accruing.

Rough Sleeping Grants

6.11 MH CLG – Rough Sleeping Initiative 2019/20 Grant – provisional, not secured.

Tower Hamlets, has been provisionally allocated £352,392 for the 2019-20 period. This money is restricted and will be strictly monitored by the MH CLG. This grant will continue to be ring-fenced. This allocation is provisional and will be confirmed in February 2019 subject to:

- 1) Tower Hamlets achieving a RAG rating of green or amber/green from MHCLG. This RAG rating will be based on:
 - i. Delivery of all the RSI funded interventions for 2018-19 funding that were agreed (as set out in proposal form) fully and on time. If agreed interventions were not delivered fully and/or on time then MHCLG reserve the right not to pay the provisional allocation for 2019-20 or to only pay this partially.
 - ii. The approval from the RSI adviser that the purpose of the original proposals is being met. This assessment will take account of local environment and mitigating circumstances.
 - iii. The approval from the RSI adviser that we are demonstrating sufficient leadership and positive behaviours on the RSI agenda i.e. are senior leaders engaged in their plans to reduce rough sleeping, local authorities are responsive to MHCLG requests.
- 2) A rough sleeping strategy being in place and agreed with the RSI Adviser.

If the 2018 rough sleeping snapshot figure does not reduce against your 2017 snapshot figure:

- 3) MHCLG would reserve the right to work with the Council to revise and refocus proposed interventions for 2019-20 where appropriate.

6.12 MHCLG – Rough Sleeping 2019/20 – additional grant, £50,000 – provisional to continue Housing First pilot (part of larger RSI project).

6.13 Homelessness Prevention Grant 1.7M, allocation of which support Rough Sleeping

- £195,000. Procured rough sleeping day service contract – Providence Row Charity April 2018 3 year contract
- £386,000. Procured rough sleeping EROS outreach contract – St Mungo's April 2017 start. 3 years, plus 1 year, plus 1 year contract
- 8 small grants on Grants Register and attached to EROS contract:

EROS Personalised budgets	10,000
EROS B&B budget	1,500
EROS Reconnection budget	5,000
EROS Annual Street Count	750
EROS Anti-Begging Campaign	2,500
EROS Personal service charge - Assessment Beds	2,200
EROS Staff and Travel SWEP	2,000
EROS Detox for reconnection clients	7,000

Pan-London Initiatives

- 6.14 PLACE (Pan-London Accommodation Collaborative Enterprise) is a new approach to tackling homelessness through acquiring modular temporary accommodation. Through PLACE, London boroughs will use modular housing units to increase the supply of high-quality, temporary accommodation options for people needing a home. PLACE is being delivered by London's boroughs, supported by the Greater London Authority, London Councils and London Ventures. Tower Hamlets is the lead borough for the programme. The accommodation will be placed on land which is currently under-used and is restricted by long-term development plans (these are known as 'meanwhile' sites).

- 6.15 The GLA is providing £11million from its innovation fund to support PLACE's work and Capital Ambition provided seed funding through the London Ventures programme. The first modular housing will be on site by 2021. PLACE's target is to have 200 homes across London.
- 6.16 Established in May 2018, PLACE Ltd is a not-for-profit Company Limited by Guarantee and will act as the procurement and ownership organisation for the scheme. PLACE Ltd was incorporated by LBTH earlier this year and now Lambeth and Ealing have joined the company, with several others keen to follow suit. The procurement of design and manufacture of 200 modular homes is well underway, we hope to be in contract in February 2019. We continue to seek to expand the pipeline of sites across London and have started talking to RPs and private developers about using their land on a "meanwhile" basis as well as borough-owned sites..
- 6.17 The Mayor in Cabinet on 26th September 2018 approved the decision for the Council to join "Capital Letters"; a second Pan-London Company Limited by Guarantee established by Tower Hamlets. Capital Letters is a joint endeavour between a group of London boroughs to reduce the costs of temporary accommodation and deliver improved outcomes for homeless families, by jointly procuring and managing accommodation across London. By removing unhelpful competition and duplication of effort, and by providing an organisation to represent a large group of London boroughs, it is intended to offer a simpler and more straightforward interface for landlords,
- 6.18 Capital Letters was incorporated in December 2018, following political approval processes with 11 boroughs. MHCLG have allocated £38m revenue grant over the next 3 years, subject to performance. LBTH is the grant recipient, so in due course a sub-grant approval will be needed at Grants Sub-Committee to passport the funds to Capital Letters. A "general meeting" of member boroughs (most likely attended by respective cabinet leads) will meet regularly to appoint the Board of Directors (most likely lead officers) and provide oversight and a mechanism for resolving any policy issues at a political level.
- 6.19 By the end of the third year of operation it is envisaged that Capital Letters will have a staff complement of around 270 officers and an annual income of £238m. By this stage it will have secured almost 20,000 additional properties to help prevent and tackle homelessness, and will have an estimated 13,000 properties either fully or partially under its management. For Tower Hamlets, officers propose seconding at least 2 members of staff in order to procure an estimated 220 properties per year, including c.120 leased properties for use as temporary accommodation for accepted homeless families and c.100 private tenancies for prevention of homelessness. At this level of involvement, officers estimate a potential saving of around £300,000.
- 6.20 Both projects have been widely welcomed, with Tower Hamlets being credited with providing leadership and practical support. Between these two, we have secured nearly £50m to improve the supply of temporary accommodation for homeless families in London.

Officer contact details for documents:

Mark Baigent – Interim Divisional Director, Housing and Regeneration

7. EQUALITIES IMPLICATIONS

- 7.1 The Equality Act 2010 places a duty to give due regard to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity between people from different groups; and foster good relations between people from different groups. As a Council we undertake equality analyses in policy making, initiating service change or undergoing a savings proposal as part of having due regard and in meeting our public sector equality duty. An equality analysis is a useful tool to enable us to assess the implications of our decision on services users and staff and to highlight any adverse impacts on one or more of the nine protected characteristics, as well as identify any active mitigation.
- 7.2 As part of last year's budget setting process for 2018-19 to 2020-21 equality screenings were carried out on all new proposals.
- 7.3 A rent decrease of 1% in Council rents will be in place from 1st April 2019. Decreases for 2019/20 have been calculated in accordance with the Welfare Reform and Work Bill's proposal to reduce rents by 1%. From the perspective of the tenant, the rent decrease will be viewed as having a positive impact. The Equalities Assessment is undertaken from this perspective and has been assessed as not having a disproportional adverse effect on any specific group, although since the reduction is a flat 1% reduction across all stock, those residents in larger properties, with higher rents will see the largest weekly reduction in rent paid.
- 7.4 Younger age groups in LBTH are found to be disproportionately affected by homelessness with 16-44 year olds representing 84 per cent of homelessness acceptances in 2016-17. BAME residents were found to be over represented as living in overcrowded housing with 52.3 per cent of the 19,124 households on the housing waiting list being Bangladeshi households. An equalities assessment of the Homelessness and Rough Sleeping Strategy adopted by Cabinet in December 2018 demonstrates that the strategy is expected to have either positive or neutral impacts on the nine protected equalities groups.
- 7.5 The delivery of more affordable homes will help give households, particularly those from black, Asian, or other minority ethnic backgrounds on low incomes (many of whom are benefit dependent) a secure home. This has the potential to create an environment for household members – particularly children – to improve their educational attainment which will in turn help them access sustainable employment in the future. The delivery of more housing that is wheelchair accessible and meets lifetime homes standards is a proven method to help reduce inequalities. Maximising the amount of affordable housing for rent can help to reduce the number of households on the Common Housing Register including those overcrowded, waiting for a home at an affordable rent.

8. OTHER STATUTORY IMPLICATIONS

- 8.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,

- Crime Reduction,
 - Safeguarding
- 8.2 The preparation of the MTFS has taken account of the Council's obligations in relation to its Best Value duty. The budget proposals are based on securing best value within the context of continuing reductions in Council funding and service demand pressures.
- 8.3 Housing delivery - This is a capital programme which proposes to make use of the Council resources in order to fund partners in the delivery of affordable homes rather than be required to pay interest to the government on unspent receipts. The schemes will comply with the Council's requirements on the reduction of carbon emissions, energy consumption along with green and sustainable construction delivery. The modular housing programme will also see affordable temporary accommodation delivered locally.
- 8.3 Managing financial risk is of critical importance to the Council and maintaining financial health is essential for sustaining and improving service performance. Setting a balanced and realistic budget is a key element in this process.

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 This report asks the Housing Scrutiny sub-Committee to note the contents of this report which provides details of the Housing Revenue Account (HRA) and Housing General Fund position in 2018/19, and draft 2019/20 budgets, and as such, there are no direct financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The report provides financial information in relation to the Housing Revenue Account, General Fund accounts for 2018/19 and draft budgets for 2019/20. It is consistent with good administration for the Committee to consider information in relation to budgets that it has adopted and proposals for the next financial year.
- 7.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Receiving financial and performance information is an important way in which that obligation can be fulfilled.
- 7.3 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for the Committee to receive information about the Housing Revenue and General Fund Accounts and draft budgets as set out in the report.
- 7.4 When considering its performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a

protected characteristic and those who do not (the public sector equality duty). The Council's budgets are formulated by reference to its public sector equality duty and monitoring performance should help to ensure they are delivered.

APPENDIX 1

MEDIUM TERM FINANCIAL PLAN 2018/19 – 2023/24

INDICATIVE HRA BUDGETS

Housing Revenue Account	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Forecast Outturn £'000	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME						
Dwelling & non dwelling rents	(69,091)	(67,003)	(69,873)	(73,378)	(77,631)	(80,686)
Tenant & Leaseholder service charges	(22,223)	(22,600)	(23,058)	(23,525)	(24,002)	(24,488)
General Fund contributions	(115)	(115)	(115)	(115)	(115)	(115)
GROSS INCOME	(91,429)	(89,718)	(93,045)	(97,018)	(101,748)	(105,239)
EXPENDITURE						
Repairs & Maintenance	21,493	22,560	22,894	23,235	23,583	23,938
Supervision & Management	26,189	26,723	27,309	27,144	27,283	27,425
Special Services, Rents rates & taxes	17,939	17,794	17,966	17,874	16,977	17,194
Increased/(Decrease) provision for bad debts	600	600	600	600	600	600
Capital Financing charges	22,162	19,765	20,575	23,429	25,488	26,883
GROSS EXPENDITURE	88,383	87,341	89,343	92,282	93,931	96,039
NET COST OF HRA SERVICES	(3,046)	(2,377)	(3,702)	(4,737)	(7,817)	(9,199)
Investment Income received	(1,367)	(317)	(121)	(121)	(121)	(121)
Amortised Premiums & Discounts	352	352	352	352	352	352
Appropriations						
Revenue Contribution to Capital Outlay (RCCO)	0	31,413	11,000	4,500	7,600	8,900
NET POSITION	(4,061)	29,071	7,529	(6)	14	(68)
Balances						
Opening balance	(47,560)	(51,621)	(22,550)	(15,021)	(15,027)	(15,013)
(Surplus)/ Deficit on HRA	(4,06)	27,071	7,529	(6)	14	(68)
Closing balance	(51,621)	(22,550)	(15,021)	(15,027)	(15,013)	(15,081)

Appendix 2

HOUSING REVENUE ACCOUNT CAPITAL				FUTURE YEARS			ALL YEARS (INC. FUTURE & PAST)		
Programme	Programme code	2018-19 Revised Budget £m	2018-19 Actual Q2 (M5)	2019-20 Budget £m	2020-21 and future years Budget £m	Total Future Years Budget £m	Spend in previous years for current projects £m	Total Budget All Years £m	Total Projection All Years £m
Housing Capital Programme	HRA-002	37.857	3.312	29.257	65.520	94.777	110.198	242.832	242.832
Ocean Estate Regeneration	HRA-003	0.316	(0.096)	-	-	-	2.117	2.433	2.433
Blackwall Reach	HRA-007	3.252	0.038	-	-	-	2.284	5.537	5.537
Fuel Poverty Works	HRA-008	0.429	(0.026)	-	-	-	3.878	4.307	4.307
Short Life Properties	HRA-009	0.005	0.002	-	-	-	1.551	1.556	1.556
Phase 2a Pipeline Schemes (1-4-1)	HRA-010	8.653	0.351	23.600	39.980	63.580	0.397	72.630	72.630
New Supply - Budget provision	HRA-011	1.197	-	4.000	19.092	23.092	2.416	26.705	26.705
Buybacks 1-4-1 receipts	HRA-012	-	-	-	-	-	0.061	0.061	0.061
New Supply - On site	HRA-013	12.985	0.552	10.000	13.500	23.500	30.284	66.769	66.769
New Supply - Pre construction (Phase 1)	HRA-014	3.716	0.115	11.173	43.400	54.573	3.564	61.853	61.853
Community Benefit Society - 1-4-1 receipts	HRA-016	4.500		-	-	-	-	4.500	4.500
Mayor's Priority - Housing	HRA-017	0.686	0.010	1.300	1.300	2.600	0.014	3.300	3.300
Phase 2b Mixed Tenure Schemes (1-4-1)	HRA-018	1.650	0.169	17.200	44.750	61.950	0.011	63.611	63.611
Housing Revenue Account Total		75.246	4.426	96.530	227.542	324.072	156.775	556.093	556.093

Appendix 3

PLACE – HOUSING GENERAL FUND CAPITAL				FUTURE YEARS			ALL YEARS (INC. FUTURE & PAST)		
Programme	Programme code	2018-19 Revised Budget £m	2018-19 Actual Q2 (M5)	2019-20 Budget £m	2020-21 and future years Budget £m	Total Future Years Budget £m	Spend in previous years for current projects £m	Total Budget All Years £m	Total Projection All Years £m
Private Sector Improvement Grants	PLACE-013	0.043	0.012	0.100	0.800	0.900	0.009	0.953	0.953
Disabled Facilities Grants	PLACE-014	1.687	0.557	1.500	3.000	4.500	0.110	6.296	6.296
Conversion of council buildings to temporary accommodation	PLACE-034	4.288	0.221	0.172	0.000	0.172	0.090	4.550	4.550
Registered Provider Grant Scheme (from 1-4-1)	PLACE-036	5.221	0.280	2.269	1.674	3.943	2.902	12.066	12.066
Purchase of properties for use as temporary accommodation	PLACE-037	11.505	19.912	24.970	58.300	83.270	13.854	108.629	108.629
Establish a Wholly Owned Company	PLACE-039	6.000	-	-	-	-	-	6.000	6.000
Establish a Community Benefit Society	PLACE-040	2.500	-	-	-	-	-	2.500	2.500
Place Total		31.244	20.982	29.011	63.774	92.785	16.965	140.994	140.994

HOUSING GENERAL FUND REVENUE

General Fund Revenue Budget Area	Revanal	Original 2018/19 Budget Sum of Budget	Revised Budget 2018/19 Sum of Revised Budget	2019/20 <u>DRAFT Budget</u> TBC
Lettings - Client support, management, marketing & development and overcrowding grant	EXP	2,399,954	2,429,189	2,399,954
	INC	(1,179,200)	(1,179,200)	(1,179,200)
		1,220,754	1,249,989	1,220,754
Homelessness - including Homelessness, rough sleeping, temporary accommodation, tenancy enforcements and sustainability functions and housing advice services etc	EXP	35,222,193	36,177,798	34,922,193
	INC	(33,518,320)	(33,518,320)	(33,518,320)
		1,703,873	2,659,478	1,403,873
Strategy, Regeneration & Sustainability - including ALMO client team, energy procurement services and sustainable development, housing zones, housing partnerships and private sector housing	EXP	3,163,117	3,190,259	3,163,117
	INC	(1,670,195)	(1,670,195)	(1,670,195)
		1,492,922	1,520,064	1,492,922
Housing Regeneration - including regeneration, harford street community centre and ocean handy persons	EXP	641,529	649,805	641,529
	INC	(543,528)	(543,528)	(543,528)
		98,001	106,277	98,001
		1,590,923	1,626,341	1,590,923
		4,515,550	5,535,808	4,215,550

To note: Draft 2019/20 budget is subject to Cabinet and Full Council Considerations, expected by the end of February 2019.

Project Title	Appropriation of Housing Revenue Account (HRA) Shops to General Fund (GF)
Reference	SAV / PLA 002 / 19-20
Strategic Priority Outcome	Not strongly aligned
Lead Member	Cllr Ronald
Directorate	Place
Service Area	Asset Management
Lead Officer	Richard Chilcott

Executive Summary

The Council owns more than 200 shops that are accounted for in the Housing Revenue Account (HRA).

International Financial Reporting Standards require that these properties are categorised according to the purposes for which the Council holds them. Where the purpose for holding a property is not related to the provision of housing, the property should not be held in the HRA. These shops have remained in the HRA as a result of originally being provided as part of neighbourhood development but they no longer contribute to the achievement of a housing objective.

It is therefore proposed to move the accounting for the shops from the HRA to General Fund therefore generating rental income stream to the General Fund. This would have no tangible impact on the shops themselves just the council's accounting for them.

Options Analysis

Option	Description Title	Benefits	Dis benefits	Risks	Current Annual Costs	Proposed Annual Savings (ROI)
Appropriate HRA shops to the GF	Appropriate HRA shops to the GF	<p>The GF would receive the rental income from the shops</p> <p>The HRA would have a lower CFR and would therefore pay lower interest charges each year and would have more borrowing headroom available</p>	<p>The HRA would lose the rental income from the shops</p> <p>The GF would have a higher CFR and would therefore pay higher interest charges each year</p>	The GF would be responsible for all costs relating to the properties such as repairs and health and safety works	<p>Approximately £500k - £300k relating to repairs, NNDR, insurance, and £200k cost of managing the assets</p> <p>These costs would be charged to the GF if the shops are appropriated to the GF</p>	<p>Estimated £800k net savings to the GF</p> <p>(the estimated saving takes account of the rental income less the costs associated with managing the properties and the increased interest charge that the GF would be liable for)</p>

Recommended Option

Appropriate HRA shops to the GF

Budget Projection and Staffing Impact

Vote	Cost Centre	Base Budget £'000	Net Savings 2019-20 £'000	Net Savings 2020-21 £'000	Net Savings 2021-22 £'000	Total Savings 2019-22 £'000
	70905	GF - 0	800	0	0	800

Original FTE	FTE reduction 2019-20	FTE reduction 2020-21	FTE reduction 2021-22	Total FTE reduction 2019-22
0	0	0	0	0

Project Title	Appropriation of Housing Revenue Account (HRA) Shops to General Fund (GF)
Reference	SAV / PLA 002 / 19-20
Strategic Priority Outcome	Not strongly aligned
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Directorate	Place
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Recommended Option

Appropriate HRA shops to the GF

Budget Projection and Staffing Impact

Vote	Cost Centre	Base Budget £'000	Net Savings 2019-20 £'000	Net Savings 2020-21 £'000	Net Savings 2021-22 £'000	Total Savings 2019-22 £'000
	70905	GF - 0	800	0	0	800

Original FTE	FTE reduction 2019-20	FTE reduction 2020-21	FTE reduction 2021-22	Total FTE reduction 2019-22
0	0	0	0	0

Housing & Homelessness performance

Appendix 6

Strategic measure	15/16 Outturn	16/17 Outturn	17/18 outturn	18/19 Target	Q2 2018/19
Number of affordable homes delivered	1,073	1,070	926	850 - 1,167	149
Lettings to overcrowded households (%)	1123	49% (779)	53% (897)	53%-55%	54%
Homeless or threatened with homelessness, who approached the local authority's housing options service, and for whom casework intervention resolved their situation	N/A	20.5%	15.11%	18%	14.78%
Other measures					
Social rented family housing delivered	328	326	316		93
Wheelchair accessible / adaptable homes delivered (10% of affordable delivery)	104 (10%)	106 (10%)	146 (16%)		16 (11%)
Number of homeless households accepted	388	450	437		47 (Q1)
Number of households in temporary accommodation	1,972	2,096	1,919		1,859
Families in B&B for more than 6 weeks	12	0	0	0	0 (Q1)
Annual count of rough sleepers	12	12	21	0	10

