

LONDON BOROUGH OF CROYDON

REPORT:	SCRUTINY HOMES SUB-COMMITTEE
DATE OF DECISION	16 April 2024
REPORT TITLE:	2023-24 Period 9 Financial Performance - Housing
CORPORATE DIRECTOR	Susmita Sen Corporate Director of Housing

1 SUMMARY OF REPORT

- 1.1 This report provides the Council's financial performance as at Period 9 (December 2023) for the Housing Directorate (General Fund, Housing Revenue Account (HRA) and the Capital Programme).

2 BACKGROUND AND DETAILS

HOUSING GENERAL FUND REVENUE BUDGET

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	23.9	24.5	23.9	-
Housing Estates and Improvement	-	-	-	-
Total Housing	23.9	24.5	23.9	-

- 1.2 At period 9, the Housing directorate has a General Fund forecast breakeven position against the budget of £23.9m.
- 1.3 An allocation of £1.234m has been agreed from the Contain Outbreak Management Fund (COMF) grant, with £1m supporting homelessness costs and £0.234m supporting the clearing of the homelessness casework backlog.
- 1.4 There is a crisis within the London housing market that is creating significant demand for services, has not levelled out within 2023-24 and is likely to continue to rise into 2024-25. The data available following the changeover of rent account systems to the new NEC IT system is now improving although further improvements to forecasting accuracy can be expected as data quality is addressed, reporting is developed further, and more data analysis is performed.
- 1.5 Current financial modelling of a worst-case scenario for emergency and temporary accommodation indicates that the 2023-24 overspend could be up to circa £4m and this will be monitored closely over the final months of the financial year to check whether levels of new temporary accommodation placements continue at the current

higher level or return to being in line with longer term historical trends. The pressures experienced by Croydon are also being experienced across London and nationally. Government have recognised this pressure with £92k of winter pressures funding to be allocated across the seven South-West London boroughs.

- 1.6** A top-up to the Homelessness Prevention Grant (HPG) of £1.9m was announced by DLUHC to cover homelessness pressures relating to Ukrainian refugees. This funding may also be used to fund wider homelessness pressures and reporting requirements are in line with the existing HPG requirements. The grant top-up could also help offset any potential detriment to income collection resulting in the bad debt provision being increased at year end.

Emergency Accommodation (Nightly-paid accommodation)

- 1.7** There are a number of factors that impact expenditure against this budget. Firstly, there has been a demand rise in the number of households that have been placed into Emergency Accommodation (EA). The factors that have pushed up demand include:
- 1.8** A reduction in new private rented sector (PRS) lettings which is down 41% compared to the pre-COVID average (with tenants staying longer in properties and landlords exiting the market) and private rents are now more than 20% higher than pre-COVID levels. Therefore, new lettings affordable within Local Housing Allowance (LHA) levels are increasingly rare. The LHA uprating from April 2024 will provide a significant boost to affordability but will not solve the problem.
- 1.9** Another factor is the number of asylum-seeking households which is adding a pressure on available affordable accommodation. From August 2023 the Home Office accelerated their decision making for asylum claims and give very short notice when people are to be evicted from their accommodation. This is an additional pressure as the Council does not receive any financial assistance for these households.
- 1.10** Family evictions are also increasing, potentially linked to the decrease in availability of affordable housing in the private rented sector (PRS) and the increase in evictions detailed above and subsequent short-term arrangements breaking down.
- 1.11** Additional to the increase in demand is the backlog of circa 2,000 cases identified as part of the Housing Needs restructure. More of those households are now being placed in emergency (nightly paid) accommodation.
- 1.12** There is a shortage of suitable EA to meet the increasing demand, so the Council is relying on expensive commercial hotels and families staying in accommodation with shared facilities for over 6 weeks.

Temporary Accommodation

- 1.13** The factors leading to demand for homelessness accommodation, particularly in London which is bearing 57% of the national homeless placement total, are also impacting the ability for Croydon to secure affordable accommodation to house those households unable to secure affordable accommodation in the private sector.

Risks

- 1.14** There is a Temporary Accommodation scheme, Croylease, which was active in signing on properties between 5 to 10 years ago based on cost effective rents and an agreement for the Council to return properties in a specified condition. Council repairs contractors conduct the void repair work at the point that the contract term finishes, and the landlord requests their property back. Across 2022-23 and 2023-24 landlords have been withdrawing from this scheme which resulted in significant repair costs of circa £660k in 2022-23 and we are expecting a higher level in 2023-24.
- 1.15** The suitability of housing offered to a person determined as being eligible for homeless assistance has been subject to a number of legal challenges within 2023-24. One such case has been heard in the Supreme Court with an outcome that was, in this particular case, adverse for Croydon but in the long term may have positive implications in reducing the overall level of challenge. A cost, or a provision for cost, will need to be recognised in the 2023-24 accounts at an estimated amount of £300k.
- 1.16** The implementation of the new NEC IT system experienced a delay in setting up the interfaces between NEC and the Oracle finance system. The income interface is now posting income from the NEC system into the Oracle finance system, however there are reconciliations still being carried out. There may be a requirement to increase the loss allowance (bad debt provision) at the end of 2023-24 depending on the level of income collection achieved by year end.
- 1.17** There has been a concerted effort to hold homelessness accommodation costs down across London through partnerships with organisations like Capital Letters and via the agreed Pan-London temporary accommodation rates. The rates can no longer be contained though as demand outweighs available affordable supply. At a Pan London meeting, all boroughs confirmed that they are no longer paying the agreed Pan London rates to ensure they meet their demand challenges. A combination of all these factors has led to an increase in both the average cost of emergency and temporary accommodation that Croydon can secure to meet demand, as well as an increase in the use of nightly paid emergency accommodation to compensate for the loss of some longer-term leased accommodation because of landlords leaving the market.
- 1.18** There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement not yet finalised. This risk was provided for in the 2022-23 accounts however, if there is any difference from the estimated reimbursement of 70% of costs from the insurers, this would be an extra charge or benefit when settled.

- 1.19** There is a potential budget pressure, above the currently estimated £1.2m for 2023-24 which has been funded through the economic demand pressures budget transfer agreed in Period 3, in relation to housing benefit subsidies for the Guaranteed Rent Scheme for Care Experienced Young People.
- 1.20** There is a pressure within the housing budget due to temporary accommodation management fees of £40/week/unit which are no longer recoverable through Housing Benefit (HB) subsidy from DWP. From 1 April 2017, in line with the government announcement in the 2015 spending review, funding was devolved to Local Authorities through the Homelessness Prevention Grant with the aim of allowing Councils to better manage their temporary accommodation pressures, and this funding is instead of the HB subsidy.

Opportunities

- 1.21** Housing will continue to ensure the use of ringfenced Household Support Fund, Rough Sleeping initiative grants, and asylum seeker & refugee grant funding within the grant terms and to maximise the mitigating effect on general fund spend. This includes supporting households that are in rent arrears.
- 1.22** There are opportunities from accommodation that is coming on stream for placing homelessness clients, which will provide alternative accommodation and reduce the reliance on expensive nightly paid accommodation.
- 1.23** The restructure for Housing Needs has been implemented and is forming the bedrock for process and cultural change and a more cohesive journey for a homeless household. The financial benefits are expected to be realised in the longer term from better practice resulting in reduced spend on homelessness.

Savings

	2023-24					
	Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Not yet evidenced or (over delivery)
Directorate						
Adult Social Care & Health	12,243	-	12,243	13,190	-	(947)
Assistant Chief Executive	2,924	-	2,924	2,271	653	-
Children, Young People & Education	6,920	490	7,410	5,148	-	2,262
Housing	2,305	-	2,305	1,309	1,099	(103)
Resources	6,347	-	6,347	6,347	-	-
Sustainable Communities (SCRER)	1,859	2,490	4,349	4,124	225	-
Cross-Directorate / Corporate	500	-	500	-	500	-
Total	33,098	2,980	36,078	32,389	2,477	1,212

Savings achievement not yet evidenced

- 1.24** Housing: There is forecast savings slippage of £1.1m owing to:
- 1.24.1.** Temporary accommodation case review (discretionary cases) - £0.5m slippage - Posts to undertake the transformation work were filled during 2023-24 and therefore the full year effect of the £0.6m savings target will not be achieved until 2024-25.
 - 1.24.2.** Temporary accommodation occupancy checks - £0.3m slippage - Posts to undertake the transformation work were filled during 2023-24 and therefore the full year effect of the £0.4m savings target will not be achieved until 2024-25.
 - 1.24.3.** Data cleanse and rent accounts (income collection) - £0.3m slippage - Work commenced on this project as part of the implementation of the new NEC IT system. Reconciliation work and improvements to NEC reporting are still underway to evidence these £0.3m savings.

HOUSING REVENUE ACCOUNT (HRA)

- 1.25** At period 9, the HRA forecast remains at a revenue overspend of £12.0m owing to resolving a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will fund the 2023-24 overspend, however the HRA budget for 2024-25 will take account of ongoing pressures and priorities.
- 1.26** At Period 5 it was set out how the legacy of repairs, disrepair works and the commissioned works on damp and mould accounts for £8.6m of the pressure against the existing budget. This pressure is a direct result of the significant under-investment over decades in the housing stock which has resulted in the backlogs the teams are now tackling. The implementation of the three new repairs contracts and the commitment to ensuring the Council is meeting its requirements as a landlord are driving this ongoing pressure. Where underspends in other areas are insufficient to cover the pressures outlined above, it will require a draw down from the HRA reserves into the revenue budgets.
- 1.27** The 2024-25 budget will require significant work to ensure that it is capturing and managing ongoing pressure areas within the repairs service. Stock conditions surveys have been commissioned to identify the level of major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium term.

- 1.28** The remaining £3.4m pressure is attributed to disrepair and reflects the volume of historic legacy disrepair cases being cleared and the legal costs and settlements that have been the outcome.

Repairs

- 1.29** The Period 9 position of £12.0m overspend is made up of £8.6m responsive repairs costs pressure and £3.4m on disrepair costs, legal fees and settlements.
- 1.30** The overspend on responsive repairs is a result of the significant increase in repair requests received from tenants as a consequence of the historical under-investment in the stock including historic legacy issues identified since the implementation of the new contracts in August 2023.
- 1.31** In addition, there has been significant work done to tackle reports of damp and mould, treating the appearances of spores and carrying out works to address the issues.
- 1.32** The Social Housing (Regulation) Act 2023 will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. This includes changes from 'Awaab's Law' which follows the death of 2 year old Awaab Ishak in 2020 due to damp and mould exposure in his Rochdale home following repair requests and complaints having been repeatedly ignored. Legislation includes provisions which will require the Council to investigate hazards and fix repairs including damp and mould in their properties within strict new time limits or rehouse residents where a home cannot be made safe. The new rules will form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home.
- 1.33** Tackling of legacy voids has had a significant financial impact due to the state of disrepair in these properties and the subsequent lack of asset renewal. The team expects to have cleared the backlog of legacy voids within this financial year and the associated cost pressures have been forecasted to reflect that commitment. Financial controls for all voids over £6,500 are in place and there is ongoing management of the work in progress (WIP) and the average weekly voids of 12 voids per week.
- 1.34** Legal disrepair volumes continue to be a challenge operationally and financially. Work is ongoing to tackle the circa 550 disrepair cases in our backlog. The service has proposed a plan to clear this backlog by 31 March 2025 and the details were set out in the separate Repairs Contract Update paper presented to Cabinet in February. This financial year works have been undertaken to circa 303 claims and we have works in progress for 67 cases, however, the number of claims we are receiving each month is increasing from an average of 30 to now 45 new claims being received per month.

1.35 The service has introduced controls to manage, monitor and provide assurance on ongoing responsive repairs costs:

- The NEC system allows management of the budget per individual line of activity with a budget set on NEC that cannot be exceeded and no payments can be made without any increase to the budget prior to any new orders being raised. Manager approval is required to increase a budget.
- A Review Panel has been established since September. Any quotes for works over a value of £5,000 must be presented to the panel and approval sought prior to the works order being raised.
- A review and approval from the Housing Directorate Management Team will be sought for works on an individual property in excess of £40,000 to allow consideration of value for money and to ensure that there is a link being made to regeneration projects and any other cross-Council projects.

Tenancy and Income

1.36 A breakeven forecast position at period 9 as work continues with the NEC implementation team to validate rental income and voids.

Staffing and other

1.37 A breakeven forecast position at period 9 reflects that additional budget was allocated in 2023-24 to meet known pressures while structural changes are being implemented.

Table showing the 2023-24 HRA forecast

Description	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(61.5)	(82.1)	-
Service Charge Income	(4.6)	(3.3)	(4.6)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.4)	(1.9)	(3.4)	-
Other Income	(6.0)	(2.2)	(6.0)	-
Subtotal Income	(96.1)	(68.9)	(96.1)	-
Housing Capital Charges	40.9	-	40.9	-
Responsive Repairs & Safety	20.4	29.8	32.4	12.0
Centralised Directorate expenditure	11.3	1.2	11.3	-
Tenancy & Resident Engagement	10.3	4.6	10.3	-
Tenant Support Services	6.7	4.1	6.7	-
Concorde, Sycamore & Windsor expenditure	3.4	2.4	3.4	-
Asset Planning	1.6	1.1	1.6	-
Capital Delivery (Homes & Schools)	1.5	1.0	1.5	-
Subtotal Expenditure	96.1	44.0	108.1	12.0
Total HRA Net Expenditure	-	(24.9)*	12.0	12.0

* Note that no actuals for Housing Capital Charges have been posted as these journals are carried out at year end points.

1.38 The main risks within the HRA are:

- NEC system functionality delays:
 - Although the system went live in June 2023, the system is yet to be used to its full capacity including full reporting functionality. The repairs and income forecasting may yet be impacted once the full integration and functionality is available.
- Repairs and maintenance:
 - pressures from the exit of the Axis repairs contract that ended in August 2023.
 - extra expenditure to deal with the backlog of repairs and maintenance.
 - void and disrepair costs carried out by specialist contractors to reduce void losses and minimise future disrepair claims.
 - settlement of disrepair cases and related legal fees, including those relating to Regina Road.
- Tenancy and income:
 - the impact of cost of living pressures on rent collection (including a potential increase in bad debt cost).
 - loss of income owing to void (empty) residential properties.
 - loss of income owing to voids including void garages.
- Recharge review:
 - General Fund services are producing service level agreements (SLAs) to evidence recharges of costs to the HRA, which could result in increased charges to the HRA.

General Fund Capital Programme – Housing

General Fund Capital Scheme	2023-24 Revised Budget	2023-24 Actuals to Date	2023-24 Forecast	2023-24 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Disabled Facilities Grant	3,000	1,471	3,000	-
Empty Homes Grants	400	39	200	(200)
Total Housing	3,400	1,510	3,200	(200)

HRA Capital Programme

- 1.39** At period 9, the HRA capital programme has a forecast overspend of £1.8m (4.8%) against the revised budget of £37.2m. The 2023-24 HRA capital budget has been updated to reflect the changes agreed through the Capital Programme and Capital Strategy 2023-29 report at the Cabinet meeting on 14 February 2024. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will be the source of financing the 2023-24 capital overspend.
- 1.40** The HRA budget for 2024-25 and the HRA business plan has taken account of ongoing pressures and priorities. Stock conditions surveys have been commissioned to identify the level of historic legacy major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium to long term.
- 1.41** There are pressures relating to damp and mould related repairs and historic legacy legal disrepair and void cases where significant updating to properties is occurring.
- 1.42** The Executive Mayor in Cabinet is requested through this report to approve within the multi-year HRA capital budget, the re-profiling of £2.071m budget from 2024-25 to 2023-24. This is to align the budget with the acquisition of the Belgrave and Grosvenor site and freehold of the previous Printworks site on Portland Place from Brick By Brick in March 2024.
- 1.43** The overall HRA capital programme budget remains the same as agreed by Full Council in March 2024 and the acquisition continues to be funded through HRA reserves. The acquisition was agreed by Cabinet on 26 July 2023 through the "Brick by Brick Croydon Ltd Update Report and land acquisition by HRA - July 2023" report (link: <https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=183&MId=3573>). The earlier acquisition from Brick By Brick in 2023-24 (instead of 2024-25) provides better value for money in terms of cashflow and debt implications for the Council.

Table showing 2023-24 HRA Capital Programme budget and forecast

HRA Capital Scheme	2023-24 Revised Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Major Repairs and Improvements Programme	21,355	10,865	37,180	15,825
NEC Housing System	1,772	-	1,772	-
Regina Road	1,500		-	(1,500)
Building Safety Works	3,735		-	(3,735)
Repairs Referrals	8,800		-	(8,800)
Total HRA Capital	37,162	10,865	38,952	1,790

Table showing 2023-24 HRA Capital Programme Financing

HRA Capital Financing	2023-24 Revised Budget	2023-24 Forecast	2023-24 Forecast Variance
	(£000's)	(£000's)	(£000's)
Major Repairs Reserve (MRR)	15,457	15,457	-
Revenue	13,900	13,900	-
Other Reserves	5,687	7,477	1,790
Right To Buy (RTB) Receipts	2,118	2,118	-
Total HRA Capital Financing	37,162	38,952	1,790