

HOUSING SCRUTINY SUB COMMITTEE

Tuesday, 29 January 2019 at 6.30 p.m.
MP702 - Town Hall Mulberry Place
This meeting is open to the public to attend.

Members:

Chair: Councillor Dipa Das

Vice-Chair: Councillor Dan Tomlinson

Councillor Shah Ameen, Councillor Shad Chowdhury and Councillor Andrew Wood

Substitutes:

Councillor Sabina Akhtar, Councillor Mohammed Ahbab Hossain, Councillor Helal Uddin and Councillor Peter Golds

Co-opted Members:

Anne Ambrose

Moshin Hamim

Tenant Representative

Leaseholder Representative

[The quorum for this body is 3 voting Members]

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The Committee Services Officer

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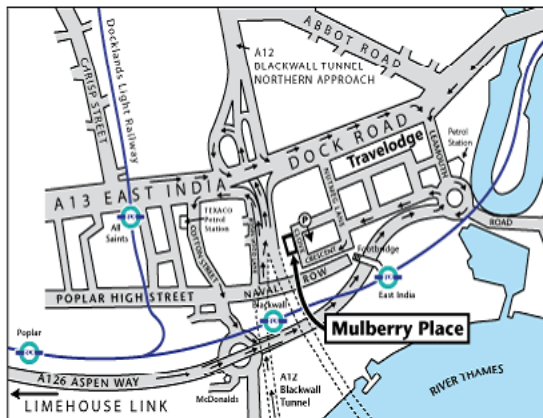
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	PAGE NUMBER(S)
1. WELCOME, INTRODUCTIONS & APOLOGIES	
2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.	5 - 8
3. MINUTES OF THE LAST MEETING & MATTERS ARISING REPORTS FOR CONSIDERATION:	9 - 14
4. BUDGET SCRUTINY Presented by Mark Baigent, Interim Divisional Director Housing & Regeneration. (10 min presentation followed by 15 min Q&A). 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. <div style="text-align: right;">(18:50-19:15)</div>	15 - 40
5. TOWER HAMLETS HOMES OPTIONS APPRAISAL (STRATEGIC REVIEW) Presented by Mark Baigent Interim Divisional Director of Housing & Regeneration. (10 min presentation followed by 15 min Q&A). The presentation will enable Members to review recommendations and take an informed view of the options presented and implications. <div style="text-align: right;">(19:15-19:40)</div>	41 - 44
6. SERVICE CHARGES FOR LEASEHOLDERS Presented by Richard Hards – Head of Leasehold Services and Ann Otesanya – Director of Neighbourhood Services, THH. (15 min presentation followed by 20 min Q&A). The presentation will aim to address areas of concern, how and by whom properties are managed, value for money and the major works charge. <div style="text-align: right;">(19:40-20:15)</div>	45 - 56
7. ANY OTHER BUSINESS 7.1 HSSC Scrutiny Review – Housing Open Spaces 7.2 Items for next meeting.	
8. DATE OF NEXT MEETING Extraordinary Meeting – 26 February 2019, 6.30pm, Town Hall Mulberry Place.	

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DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:

Asmat Hussain, Corporate Director Governance & Monitoring Officer Tel 020 7364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE HOUSING SCRUTINY SUB-COMMITTEE

HELD AT 6.33 P.M. ON TUESDAY, 20 NOVEMBER 2018

C3 - TOWN HALL MULBERRY PLACE

Members Present:

Councillor Dan Tomlinson (Vice-Chair)
Councillor Shah Ameen
Councillor Shad Chowdhury
Councillor Muhammad Harun

Co-opted Members Present:

Anne Ambrose Tenant Representative

Other Councillors Present:

Councillor Sirajul Islam

Officers Present:

Abidah Kamali – Strategy and Policy Manager
Ann Otesanya – Director of Neighbourhoods
David Knight – Principle Committee Officer
John Harkin – Assistant Lettings Manager
John McGeary – Head of Building Control
Mark Baigent – Interim Divisional Director Housing and Regeneration
Rafiquel Hoque – Head of Housing Options
Rushena Miah – Committee Services
Sandra Fawcett – Swan/THHF
Steve Tinkler – Head of Audit and Risk

Apologies

Councillor Dipa Das (Chair)

Councillor Andrew Wood

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

There were no declarations of pecuniary interests.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Vice-Chair Councillor Dan Tomlinson Chaired the meeting due to the Chair's apologies for absence.

The minutes of the previous meeting held on 26 September 2018 were approved as an accurate record and signed by the Chair.

3. ACTION LOG & WORK PROGRAMME

The Committee noted the action log and work programme tabled at the meeting.

RESOLVED:

1. To note the Work Programme and Action Log.

4. UNDER OCCUPATION SCRUTINY REVIEW (TRACKING RECOMMENDATIONS)

The Committee received a report from Rafiqul Hoque, Head of Housing Options, and John Harkin, Assistant Lettings Manager on progress made in implementing recommendations from the under occupation scrutiny review which looked at Under Occupation in social housing: promoting housing moves. .

In response to Member questions officers provided the following:

- The methods used to ascertain under occupation include visits by housing officer, care workers, tenancy audits and data sharing. It was acknowledged that if a tenant is paying rent on time and is not on any benefits and therefore has limited interaction with the Council, then it would be difficult to determine whether a property was under occupied.
- The Housing Options Team has worked to encourage moves by providing advice on their webpage , mailshots to all tenants and open days.
- Incentives for tenants to move out included up to £2,000 in cash or help with removals.
- There are approximately 1,000 under occupiers on the housing waiting list. 41 under occupiers have been rehoused this financial year and this is up from last year.
- Evidence suggests that tenants would rather pay the bedroom tax than downsize.

The Chair thanked the officers for their report.

ACTION:

1. Historical data, for at least the previous 3 years, on the number of under occupiers rehoused to be forwarded to the committee.

RESOLVED:

- To note the report.
- To recommend that social housing landlords strengthen activities to encourage moves in order to free up homes for those in housing need.

5. SOCIAL HOUSING FRAUD - ILLEGAL SUB-LETTING

The Committee received a presentation from Steve Tinkler, Head of Audit and Risk, and Ann Otesanya, Head of Neighbourhood Tower Hamlets Homes, on social housing fraud.

In response to questions from Members, officers provided the following:

- With regard to point 3.5 of the report, the potential savings that could be recovered in Tower Hamlets was estimated at £93,000 per property, and c. £12m has been secured in savings across the borough through social housing fraud.
- Right to Buy applications are assessed according to anti-money laundering policy and on financial assurances. The up to £108k discount is only applied to the tenant who holds the title deed. Children are permitted to assist with the deposit and securing a mortgage. Typically right to buy fraud involves tenants not living in the property, sub-letting or other illegal activities.
- Tower Hamlets Homes and RPs have their own initiatives to tackle fraud which on the whole are effective. The figures in the report relate to instances where court action involving the support of the Council was required.

The Chair thanked the officers for their report.

RESOLVED:

1. To note the report.

6. FIRE SAFETY AND BUILDING REGULATIONS

The Committee received a report from Mark Baigent, Interim Divisional Director of Housing and Regeneration, and John McGeary, Head of Building Control, on fire safety and building regulations.

In response to questions from Members, Officers provided the following:

- There are no council properties that use Aluminium Composite Material (ACM) M cladding, however several private sector blocks have been identified that use full or partial cladding. The RP blocks affected have wardens and evacuation plans in place. On the advice of the MHCLG, the Council will not be publishing the names of the blocks due to security concerns.
- GLA funding to improve the fire safety of buildings was sourced from the national 'Affordable Housing Fund'. The council was not seeking to apply to the fund.
- The Housing Act 2004 enables councils to serve an improvement notice if they believe a building to be a hazard. The Council has not taken action on any properties but there may be a potential for this if building owners do not seek to remediate.
- The Government's expectation is for building owners to pay for AMC cladding removal and replacement, although this has not been confirmed in legislation.
- Developers could claim for costs via insurance. The government has asked RPs to exhaust this option before applying for a portion of the £400m government grant.

- Members were reassured that the government grant was not competitive and enough resource had been allocated to remedy the situation. There would likely be funds left over.
- Tower Hamlets Homes publish their fire risk assessments as part of their policy regulations. RPs were not bound by any regulations to publish theirs, though it was feedback that improvement plans were in place.
- Social housing providers will continue to comply with the London Fire Brigade guidance of 'staying put'. THH and RPs keep records to identify vulnerable residents.
- Tower Hamlets Council is working with the Local Government Association and London Councils in creating a Joint Inspection Team. The inspection team will support environmental health officers to survey risks prior to serving improvement notices.
- The Council has not seen an increase in people wanting to move out of high rise blocks.

The Chair thanked officers for their report.

ACTIONS:

- For a briefing note to be sent to the Committee on the 9 RP blocks with ACM cladding and the progress made on remedial action. Mark Baigent and Sandra Fawcett.
- For the fire safety item to be discussed at the committee in six months' time.

RESOLVED:

- To note the action plan in appendix 2 which sets out the Council's response to the recommendations of the Scrutiny Review.
- To note the fire safety update of residential stock in the borough (Council Registered Provider and Private).
- To note the Council's responses in implementing recommendations from Hackitt Review of Building Regulations and the Governments proposals to amend Approved Document Part B.

7. STRATEGIC PERFORMANCE MONITORING

The Committee received a presentation from Councillor Sirajul Islam, Cabinet Member for Housing, on the Council's strategic priorities for 2018/19, progress made, challenges and risks.

In response to Member questions Councillor Islam and housing Officers provided the following:

- The rough sleeper count for November and December is 21. Counting was conducted by the Housing Options Rough Sleeper Team. In the past year there were approximately 500 rough sleepers counted, this included those who had slept at least one night on the street. The Housing Options team had partnered with St Mungo's to do outreach work.

- Closure orders have been useful in tackling anti-social behaviour. The Council also utilises its park guards and 14 additional police officers. This is within resource and will not incur additional costs.
- The Mayors manifesto commitment was to deliver 1,000 new homes and a further 1,000 in the pipeline. These 2,000 properties will be classified as 'affordable'. Half of these will be 'social rent'. These targets are monitored separately; the Committee will receive an update on them in April next year.
- The decision on Landlord Licensing has passed through Cabinet and will be rolled out next year.

The Chair thanked Councillor Islam for his presentation.

ACTION:

- Update against the manifesto commitments to be included in the next performance update in April 2018.

RESOLVED:

1. To note the presentation.

8. SOCIAL HOUSING PERFORMANCE REPORT Q2

The Committee discussed the report of Ann Sutcliffe - Interim Corporate Director of Place and Tracey St Hill – RP Partnership & Development Officer.

- Some Members raised concerns regarding underperforming RPs, namely Clarion. It was suggested underperformance figures may have been skewed by different definitions and methodologies in measuring satisfaction.
- It was highlighted that smaller RPs should be given the opportunity to attend the Housing Scrutiny Committee to discuss the performance issues and challenges they face.
- There was a discussion on the Housing Green Paper and the introduction of performance based league tables.

ACTION: Performance matters to be discussed at the THHF benchmarking sub-group. Chair of the sub-group to be invited to attend Housing Scrutiny Committee to discuss the group's work. Evictions due to universal credit and % increase in rents arrears since roll out of UC performance indicators and provide data for the next quarter report.

RESOLVED:


1. To review and note progress in the performance outturns achieved by individual social landlords and the overall performance trend.

9. ANY OTHER BUSINESS

There was no other business discussed.

The meeting ended at 8.25 p.m.

Chair, Councillor Dipa Das
Housing Scrutiny Sub-Committee

<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	Draft	Draft	Draft	Draft	Draft
	Outturn	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'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 1-4-2021)	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

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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

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THH Strategic Review

Progress Update
January 2019

Review Scope and Architecture

- Part 1: Performance Review / Opinion Analysis
- Part 2: Options Appraisal (End/Extend/Expand)
- Steering Group – Council and THH senior officers plus Cllr Islam, Deputy Mayor
- Independent Consultants – Altair Ltd appointed
- Progress reporting informally to the Mayor
- Final recommendations to the Mayor in Cabinet

Progress To Date

- Document review and data gathering
- Performance analysis and findings
- Resident opinion surveys (online and telephone)
- Resident representatives focus groups
- Councillors focus group
- Interviews with Council and THH senior officers
- Interviews with lead Members and THH Board
- Confidential reporting to Steering Group

Next Steps

- Evaluation of forward options (pros and cons)
- Assessment of financial and practical implications including Council in-house capacity
- Confidential reporting to Steering Group
- Consultation under Housing Act s105 as required
- Final recommendation report to the Mayor for decision in Cabinet

Tower Hamlets Homes

Leasehold Services

Richard Hards
Head of Leasehold Services

- Currently there are just over 10,000 leaseholders in a portfolio of 21,000. It is estimated that at least 60% of leaseholders sublet, so effectively operating a business.
- The proportion of original RTB purchasers is constantly reducing. Currently at 45% but only 33% are resident.
- The number and percentage of complaints from January 2017 to date (excluding RTB) was 217. This represents 2% of our leaseholders. The main themes are: service charges (72), MW's (40) and income recovery (32).
- The current level of leasehold overall satisfaction is at 68%, with caretaking at 79%, which compares favourably with other landlords.

Key Performance Indicators

- Alongside satisfaction our main KPI is arrears collection – are leaseholders paying their bills? Over the last 3 years THH's performance has been excellent:

Year	Annual Debit Raised	Income Collected	Collection over Debit raised	Collection Rate (%)
2015/16	£13,520,196	£14,669,402	-£1,149,206	108%
2016/17	£14,025,998	£14,356,253	-£330,255	102%
2017/18	£13,535,262	£15,109,386	-£1,574,124	112%
Total	£41,081,456	£44,135,041	-£3,053,585	107%

- So over the last 3 years we have not only collected 100% of the debit raised but on average, collected an additional £1,000,000 per year. This would suggest that on the whole the vast majority of leaseholders are happy to pay for the services that they receive.

- **The crucial document that provides for the 'needs' of leaseholders and the services we provide is the lease.**
- The landlord (LBTH) is both obliged and restricted in what it can or cannot do for leaseholders via this contractual document. The lease outlines our obligation to maintain the communal areas of the block and estate.
- When we plan to do major works the overriding concern and focus is that the works are necessary and that we obtain value for money. The drivers for this are two-fold. Leaseholders and tenants (quality and VFM) and the HRA (financial solvency).
- There is robust legislation in place which provides that any charges to leaseholders must be reasonable.

- We exceed the consultation requirements of s20.
- We always invite all residents to a pre s20 block walk around and share the survey we have, that indicates works are required.
- When on site we have a meet the contractor meeting
- On larger projects we have a daily on-site presence where residents can raise any issues.
- We have made considerable changes to the way we now deliver our Better Neighbourhoods programme and current satisfaction rates are at 68%.
- We have also radically changed the way we bill lessees for MW's. We issued our first MW's actual in September.

- We never issue invoices late.
- It's driven the need to issue our first MW estimates.
- We will never again have to issue s20B Notices.
- Drives 100% accuracy in charges.
- Drives/assists the need to ensure our Asset Management system is used efficiently and effectively.
- Aligns our Asset Management system directly with the General Ledger.
- It brings far greater certainty to protect significant income to the HRA.

Managing Major Works and Bills

- It drives improvements in customer service to our leaseholders: timely, accurate and certainty to billing, often when works are still in progress.
- It drives/focuses on the quality of works as THH, leaseholders and contractors know that a bill is imminent, if not already issued.
- In many cases, it provides for a longer time for lessees to pay and plan to pay their bills as our billing cycle now reflects the cash flow of the project.

- We always encourage lessees to form a small working group to work with us. This has worked well at Dunmore and Cuff Point where lessees elected to have windows that were three times more expensive than we were advocating.
- There are sometimes when we will carry out works even though some lessees may disagree. Examples being ground floor flats who oppose a new lift or door entry system. We have also had opposition to carrying out fire prevention works.

We believe we provide ample opportunity for lessees to be able to raise their concerns. We employ 3 Leasehold Advisors to investigate their queries and concerns but all staff try to be responsive and helpful.

We send out 2 arrears letters before sending the case to our external solicitor and they in turn write to the leaseholder before the case goes to the County Court. Because of the new County Court rules on debt recovery the earliest we will take a lessee to Court for day to day charges (due in advance in April) will be around July.

Leaseholders' Concerns and Finances

We employ a FT Financial Inclusion Officer who works 2 days from the new Financial Health Centre. This year's current caseload is:

LHS7.00	Financial Inclusion	2018/19 YTD
LHS7.01	Referrals (No.)	108
LHS7.02	Referrals (£)	£758k
LHS7.03	Payment Plans (No)	76
LHS7.04	Payment Plan (£)	£221k
LHS7.05	Benefit Application (No)	29
LHS7.06	Benefit Application (£)	£342k

This is a recent (10th Dec) email from one of our customers to the FIO:

"I really appreciated your kind voice on the 'phone, thank you. This is quite a vulnerable and stressful subject for me and so a gentle tone makes a difference to my courage to meet someone to talk about all this."

- We believe the main drive for this is the private sector. However the consultation refers to all landlords.
- They seek to make enfranchisement easier (lease extension and freehold purchase).
- Include whole estates as a freehold purchase.
- If required by Leaseholders, Leasebacks extended to include all parts of premises that are not common parts, commercial units and non-participating leaseholders.

THH continues to work to improve the services to our leaseholders and tenants.

- Improve the information available and transparency, primarily via our website.
- Respond to the current leasehold reform proposals requesting LA's are exempt or the proposals are changed to take account of our position as a social landlord.
- Issue a full explanation on our website on how we manage major works projects (February 2019). It runs to 39 pages.
- We are currently undertaking a review of all our leasehold services with the Steering Group being chaired by one of our leaseholders.