

LONDON BOROUGH OF TOWER HAMLETS
MAYORAL DECISION PROFORMA

Mayoral Decision Log No: 13

Title: Housing Stock Options Appraisal Final Report

Is this a Key Decision: No

UNRESTRICTED

1. SUMMARY

- 1.1 This paper brings together several issues relating to the governance of Tower Hamlets Homes and recommends retaining Tower Hamlets Homes to manage the Housing stock following the Review.
- 1.2 The Mayor's priority is to ensure that the decent homes programme is delivered effectively and the Housing Management service is improved while driving down cost. The Council is the sole Member (shareholder) of the Company Tower Hamlets Homes.
- 1.3 The Option Review outcomes following a comprehensive appraisal to establish the best option for future management of the housing stock are set out in summary in the report attached.

2 RECOMMENDATIONS

- 2.1 The Mayor is recommended to:
 - A. Agree to retain Tower Hamlets Homes to provide Housing Management for the Council in accordance with the existing management agreement.

- B. Approve the changes to Tower Hamlets Homes Memorandum and Articles as set out in the report at Appendix I
- C. Appoint the following persons to the THH Board:
- Councillor Alibor Choudhury as a Council Board Member
 - Councillor Kabir Ahmed as a Council Board Member
 - Councillor Rania Khan as a Council Board Member
 - Councillor Marc Francis as a Council Board Member
- D. To reappoint the resident Board Members Ian Lawson, Ian Fincher, Shamsul Hocque and Sheila Beeton to the board pending the appointment of new Resident Board Members

3 BODY OF REPORT:

3.1 Methodology

- 3.1.1 A long list of 37 options was evaluated against 34 criteria to produce a shortlist of 2 options: Retaining an optimised ALMO or bringing the service back in house.
- 3.1.2 The shortlisted options were subjected to a detailed evaluation including a 30 year financial model and risk analysis.
- 3.1.3 The views of stakeholders were canvassed and residents were involved in a sounding board, focus groups and a full census resident satisfaction survey.

3.2 The Findings

- 3.2.1 **National Policy Context:** HRA Self Financing and Decent Homes funding are both favourable towards LBTH. The national policy context effects both options equally
- 3.2.2 **Local context:** The council provided a poor quality housing service for a number of years. Tower Hamlets Homes made sufficient improvements to attain two stars in the Audit Commission inspection, however, there is considerable room for further improvement. The funding for Decent Homes allocated to the council has been increased by the Mayor to ensure all homes will achieve decent homes status over the next few years. The government

announced that councils could get Decent Homes funding even if there was no ALMO in place.

- 3.2.3 **Savings:** The Optimising the ALMO option produces savings of £8.7m over the next 5 years whilst the In-House option makes a small additional saving of £180k over the same period but brings with it a high risk profile. The Optimising the ALMO Option starts to generate savings in the current financial year. It is not until year 5 that the In-House Option saves more than the Optimising the ALMO option.

	2011.12	2012.13	2013.14	2014.15	2015.16	2016.17
	£000	£000	£000	£000	£000	£000
Annual Savings						
Optimised As is	285	1,335	1,791	1,791	1,791	1,791
In House	0	565	2,100	2,100	2,100	2,100
Difference	285	769	(309)	(309)	(309)	(309)
Cumulative Savings						
Optimised As is	285	1,620	3,411	5,202	6,993	8,784
In House	0	565	2,665	4,765	6,865	8,964
Difference	285	1,055	746	437	129	(180)

- 3.2.4 **30 Year Financial Model:** Both options produce sustainable 30 year HRA forecasts. Both options forecast room for some limited additional borrowing or debt repayment in the later years. Due to controls on the HRA neither option can contribute significantly to increasing new supply.
- 3.2.5 **Resident involvement:** Direct resident involvement in governance is stronger in the ALMO model. Under either option resident involvement would need to be reviewed.
- 3.2.6 **Risk:** The difference between the 2 options is most marked in their differing risk profiles.
- 3.2.7 **Stakeholder views:** Stakeholders recognise the progress made by the ALMO Resident satisfaction continues to improve in a tough operating environment: tenant satisfaction up 1% to 73% and leaseholder satisfaction up 3% to 47% (Resident satisfaction survey September 2011). However, there are still areas where they express concern and satisfaction is not consistent across all ethnic and age groups.

3.2.8 **Basis for the recommendation:** THH is a young organisation, only 3 years old. Since formation it has made improvements to services, the cost base and resident satisfaction. There is risk; of a performance dip if the service is brought in-house; further that the £71m of decent homes works due in years 3 and 4 of the programme could be put at risk because of a restructuring of staff and the uncertainty that this would cause and that the savings for the in-house option might be undermined. Retaining an optimised ALMO represents the continuation of a model that has been improving. The savings figure for a retained ALMO is supported as deliverable by the ALMO.

3.2.9 Once approved the key changes that will take place are:

- Delivery of the savings package described in 3.2.3
- Review of clienting focusing on reducing costs of financial and performance management
- Regular meetings between the Mayor and the Chair of Tower Hamlets Homes
- An annual summit at the anniversary of the management agreement
- A Mayor's dashboard reporting on key measures of performance

3.3 The Monitoring Officer has advised that the appointment of Councillors under the Memorandum and Articles of THH is an Executive matter as it relates to executive functions. Housing Management is an executive function. It would appear that General Purposes Committee should not have made the appointment recommendations as it made last May. Accordingly the Mayor is requested to make the Councillor appointments set out in recommendation 2.1 (c).

3.4 The Mayor asked officers to review the governance structure of the ALMO to ensure it is best equipped to face the challenges of delivering the decent homes programme and continuing to improve services while driving down cost. The Council is the sole shareholder in the ALMO and as such is empowered by its Executive Mayor to make changes to the Memorandum and Articles of the ALMO. The changes to the articles set out in the schedule are proposed with the aim of:

- ❖ Strengthening the relationship between the ALMO Board and the Executive Mayor

- ❖ Making improvements to the recruitment process to the ALMO Board
- ❖ Improving accountability of the Board

3.5 In order to ensure continuity of input from residents, whose input at board level he considers a vital part of the ALMO's governance, we recommend that the Mayor, exercising the rights of the council as sole shareholder, re-appoints the existing Tenant Resident Board members to continue to sit on the Board pending the outcome of a process to appoint new Tenant Resident Board Members.

4 COMMENTS OF THE CHIEF FINANCIAL OFFICER

4.1.1 The ALMO is a business of significant size. The Board has an important role in ensuring that the business operates with probity and effectively. There are no direct financial implications for the changes to the Board set out in this report. However the risks associated with the planned changes (see 7. below) will need careful management to ensure that the organisation continues to perform effectively and efficiently while the changes are implemented.

5 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE(LEGAL SERVICES)

5.1 The legal advice is set out in the report.

6 ONE TOWER HAMLETS CONSIDERATIONS

6.1 There are no implications for the One Tower Hamlets agenda stemming from the content of this report.

7 RISK MANAGEMENT IMPLICATIONS

7.1 It is important to note that the new Board will continue to be supported by a stable senior management team within the ALMO.

7.2 It is important that the training and/or support needs of new Board members are identified at the earliest possible point and that appropriate training and support is delivered quickly thereafter.

7.3 It is also important for the Council in its client role to monitor the management contract closely to ensure that the transition to the new board is handled

effectively so that THH can continue to prioritise improvements to the services it provides to tenants.

- 7.4 It is the view of officers that if these mitigations are implemented the risks arising from these changes to the Board can be managed to an appropriate degree.

Appendices

Appendix 1: Changes to the Memorandum and Articles of Tower Hamlets Homes

APPROVALS

1. Corporate Director

I approve the attached report and recommendations above for submission to the Mayor.

Signed *J Rodney* Date 20/12/2011

2. Chief Finance Officer

I have been consulted on the above recommendations and my comments are included in the attached report.

Signed *C Taylor* Date 20/12/11

3. Assistant Chief Executive (Legal Services)

I have been consulted on the above recommendations and my comments are included in the attached report.

(For Key Decision only – delete as applicable)

I confirm that this decision:-

- (a) has been published in advance on the Council's Forward Plan OR
- (b) is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.

Signed *Michelle Bevan* Date 20/12/11

4. Chief Executive

The recommendations above are consistent with the Council's agreed Budget and Policy Framework and will contribute to the achievement of the authority's Strategic Plan.

Signed *M Hals* Date 20/12/2011

5. Mayor

I agree the recommendations above for the reasons set out in the attached report

Signed *H Hals* Date 20/12/2011

THE COMPANIES ACT 2006
A PRIVATE COMPANY LIMITED BY GUARANTEE
RESOLUTIONS OF
TOWER HAMLETS HOMES
(the Company)

Passed by way of Decision of the sole member of the Company

Pursuant to Article 11 of the Articles of Association of the Company and section 357 of the Companies Act 2006, the sole member of the Company named below hereby decides as follows with the intent that these decisions will take effect in the case of the resolution numbered 1 and 3 as a Special Resolutions and in the case of the resolution numbered 2 as an Ordinary Resolution:

RESOLUTIONS

1 THAT the Articles of Association of the Company be amended

1.1 by deleting articles 15(4) and 15(5) and substituting the following:

“(4) The Council will determine a procedure under which Tenants may apply to be appointed as Tenant Board Members and may be so appointed. The Council may from time to time appoint Tenant Board Members in accordance with that procedure, to fill a vacancy arising either on retirement of Tenant Board Members at an annual general meeting or at any other time. Where no such procedure is in place the Council may appoint one or more Tenant Board Members to hold office on an interim basis until such time as such procedure is put in place and until appointments of Tenant Board Members are made in accordance with it.”

1.2 by deleting all of article 16 and substituting the following:

“16(1) At the third annual general meeting all of the Independent Board Members shall retire from office

16(2) Following the third Annual General Meeting the Council will determine a procedure to appoint Independent Board Members and may from time to time appoint Independent Board Members in accordance with that procedure to fill a vacancy arising either on retirement of Independent Board Members or at any other time”.

2 THAT in accordance with Article 15(4) of the Articles of Association of the Company (as amended by resolution 1 comprised in this Decision) Iain Lawson, Ian Fincher, Sheila Beeton and Shamsul Hoque be and are appointed as additional Tenant Board Members on an interim basis on the basis that they will hold office until such time as a procedure is put in place for the appointment of Tenant Board Members and until appointments of Tenant Board Members are made in accordance with it.

3 That the Articles of Association of the company be further amended as follows:-

3.1 By deleting articles 27(1) and 27(4) and substituting the following:

“27(1) Subject to any regulations established from time to time by the Organisation in general meeting in compliance with section 10(1) of the Local Authorities (Companies Order) 1995 the Board may regulate their proceedings as they think fit and the quorum for the transaction of business shall be three comprising no fewer than one Tenant Board Member and two Council Board Members”.

Signed by

Mayor Lutfur Rahman

London Borough of Tower Hamlets

Date: