

Committee OVERVIEW AND SCRUTINY	Date 6th March, 2007	Classification Unrestricted	Report No.	Agenda Item No. 6.1
Report of: ASSISTANT CHIEF EXECUTIVE		Title: REPORT "CALLED IN" – Housing Investment Strategy (CAB 124/067)		
Originating Officer(s): Angus Dixon		Ward(s) affected: All		

1. SUMMARY

- 1.1 The attached report of the Corporate Director of Development and Renewal, Emma Peters, and Director of Housing Management, Maureen McEleney was considered by the Cabinet on 7th February, 2007 but has been "Called In" for further consideration by Councillors Louise Alexander, Tim O'Flaherty, Ahmed Hussain, Dulal Uddin and Abjol Miah in accordance with the provisions of Part 4 of the Council's Constitution.

2. RECOMMENDATION

- 2.1 That the Committee consider the contents of the attached report, review the Cabinet's provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97)

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background paper"

**Cabinet report (CAB 124/067)
dated 7th February, 2007**

Name and telephone number of holder
and address where open to inspection

**Angus Dixon
020 7364 4850**

3. BACKGROUND

3.1 The attached report of the Corporate Director of Development and Renewal, Emma Peters, and Director of Housing Management, Maureen McEleney, was considered by the Cabinet on 7th February, 2007. It however has been “Called In” for further consideration by Councillors Louise Alexander, Tim O’Flaherty, Ahmed Hussain, Dulal Uddin and Abjol Miah in accordance with the provisions of Part 4 of the Council’s Constitution.

3.2 The Cabinet after considering the attached report provisionally agreed:-

1. That the investment strategy set out in Section 7 of the report (CAB124/067), be agreed;
2. That the Authority set up an Arms Length Management Organisation (ALMO) called Tower Hamlets Homes to manage the retained housing stock on its behalf;
3. That it be noted that alternative management arrangements may be put in place for areas identified for regeneration, but that depending on the timing of approval and finalisation of these arrangements, Tower Hamlets Homes may manage these on an interim basis;
4. That the establishment of a shadow board for Tower Hamlets Homes comprising 4 Council nominees, 4 resident members and 4 independent members, be agreed;
5. That the Director of Housing Management be instructed to put in place arrangements for the appointment of resident board members and independent board members after consultation with the Lead Member for Housing and Development;
6. That it be noted that the estimated costs of £335,000 for setting up Tower Hamlets Homes will be accommodated within existing Housing budgets;
7. That it be noted that staff within the Council’s Landlord Structure will be subject to the Transfer of Undertakings (Protection of Employment) Regulations 1981 and 2006 (TUPE); and
8. That it be noted that further reports will be brought to Cabinet setting out specific proposals in respect of areas identified for regeneration, affordable home ownership proposals and temporary to permanent accommodation proposals.

4. THE “CALL IN” REQUISITION

4.1 The reasons advanced in the “Call In” requisition are set out below:-

We have to highlight two major shortcomings of this report:

1. It fails to address the real housing needs of Tower Hamlets – to improve existing and build new rented affordable homes
2. It moves to set up an Arms Length Management Organisation (ALMO) without providing robust evidence that this will be cost-effective, generate funding from

government, deliver decent homes to the government's 2010 target, or be acceptable to tenants

1. Housing to meet real need

It is not acceptable to use the term 'affordable' as this report does repeatedly. The report itself acknowledges that almost all housing options in Tower Hamlets (including low cost homes ownership etc.) are unaffordable except for those earning more than £50,000 pa. This makes the case for far more public housing for rent – on which the report is silent, while neighbouring boroughs and ARCH (Association of authorities Retaining Council Housing) as well as the Council Housing Group, TUC and major trade unions are supporting tenants lobbying for direct investment to improve existing and build new council homes.

The Council's LDP and the Mayor have significantly different targets for affordable housing. The Council's interpretation of 'viability' in relation to the Mayor's 50% affordability target would appear to concede failure on the target. The report (5.8.4) acknowledges that the value of intermediate housing is 'limited', but proposes that this will provide 20% of 'affordable' homes, with no evidence or justification provided.

Para. 5.9.2.gives no projections for housing through section 106, although the Council's website indicates that £24 million from this source remains 'on account', and only 6 out of 67 agreements listed provide for 'affordable' housing. With key assets being sold off, which have been funded wholly or in part through the HRA, the Capital Receipts funding figures are inadequate. The figures for investment on the Ocean estate also appear to be lower than those given in the capital programme, and further (5.9.3) suggests that this funding is not available to improve homes on the Ocean estate. Key information is missing - more detail and rigour is needed if the report is to provide a basis for viable decision-making on a core council and government commitment: to ensure decent homes.

The lack of credible and consistent evidence in the report confirms the fear of many tenants that Tower Hamlets is adopting the government's 'plan B' for council housing break up through ALMO, where stock transfer proves unacceptable to tenants.

2. ALMO not the answer

If government is willing to provide £192 million of investment for council homes from on-balance sheet public funds, why is this conditional on setting up a private management company – unless full privatization is the long term goal? ALMOs are far less accountable to elected councillors. The whole point of the ALMO is to separate housing services from the council. There is little evidence that this separation leads to improved services. On the contrary, experience is that it leads to duplication and confusion, with much extra spending bringing no direct benefit to tenants: overly complicated contracts that are difficult and expensive to monitor, lack of clarity in separation of Council/ALMO functions, higher costs for inspections, logos, signage AND salaries to senior managers!

The report confirms concerns about the lack of democracy involved and the potential conflicts of interest, in the appointment of 'independent' Board members: eg the Chair of the Islington ALMO is also the Chair of Old Ford HA. Tenants are in the minority on ALMO boards. When the Waltham Forest ALMO applied to have a tenant majority on its Board, their funding was refused. When it changed its mind,

funding was approved! As with RSLs, Board members will be bound by company law to put the interests of the ALMO before that of tenants.

ALMOs are intended, and lobbying, to become independent organisations evolving into RSLs. Established ALMOs are already talking about 'trading' with other agencies (e.g. City West Homes in Westminster). The proposed Tower Hamlets ALMO is to work with private sector partners including RSLs to build private housing for sale on estate land. Tenants have rejected transfer for this very reason on many estates - making this a flagrant abuse of democracy and further privatisation by the back door (while RSLs also being pushed to abandon 'not for profit' status: <http://www.insidehousing.co.uk/news/article/?id=1448562>). Tenants on estates that have voted against transfer or pulled out of the stock transfer process are rightly furious at this attempt to override them, and elected councillors should support them.

The Housing Choice ballots are deeply discredited, through abuse of voting, one-sided campaigning, rigging of the constituencies, voting in show flats and other 'dirty tricks'. It is not acceptable to compound this by abandoning any pretense at democracy in setting up an ALMO. Having failed to allow debate or scrutiny by Councillors, the Borough Wide Tenants Compact or trade unions, the report proposes to appoint hand-picked shadow board members (including tenants) and to deny once again the opportunity for a fair and democratic vote before transferring staff and the management of tenants' homes to an ALMO and out of direct council management.

Several Council publications and statements have reinforced the conclusion of the 2003 Pricewaterhouse Coopers report, that ALMO is not suitable for the housing needs of Tower Hamlets. The current national context is not good, with ALMOs set up in previous rounds have been instructed despite their objections to delay works to achieve decent homes, thus breaking promises to tenants.

The 16 Authorities which made bids in ALMO round 6 still awaiting a government decision delayed since September 2006, and one of these, LB Enfield in February 2007 suspended plans to set up an ALMO due to funding delays, saying it 'understands that the number and size of the bids exceeded Government expectations and there is not enough money to go round' (see Inside Housing <http://www.insidehousing.co.uk/news/article/?id=1448637>)

5. ALTERNATIVE COURSE OF ACTION

5.1 In accordance with the Committee's procedures, the "Call In" Members have provided an alternative course of action for consideration:-

"Councillors make the following recommendations:

1. Further detailed evidence of
 - a) housing investment needs with updated figures
 - b) available funding from all sources which could be utilized to meet this top priority (including all HRA receipts and maximum use of other available receipts)
 - c) an assessment of all publicly owned land and other assets available for building up to 100% genuinely affordable homes for rent

- d) reassessing use of s106, planning and other processes to achieve the maximum possible affordable, environmentally-neutralised quality homes as quickly as possible

2. Redraft plans for turning council owned temporary housing to permanent without disposing of further valuable assets to RSLs. Reconsider the lessons of Newham's Local Space initiative, as this is currently under investigation.

3. Detailed reassessment of the ALMO case, and of the arguments against as well as for this option. Fair and balanced information with contributions by Councillors, the Borough-Wide Compact and trade unions, and public discussion and debate involving tenants associations, tenants and leaseholders, to report back with findings and recommendations. Commitment to a full, fair ballot before any decision to set up an ALMO is taken.

4. Discussion with ARCH, LGA and ministers on the pressing need for the Fourth Option of a level playing field on borrowing and ring-fencing all the money that belongs to council housing for reinvestment. Change is overdue and Tower Hamlets Council has a duty to add its voice to those demanding change: The ODPM Select Committee described government policy as 'dogmatic' and called for a 'level playing field' and an 'investment allowance' (ODPM Select Committee Report on Decent Homes, May 2004); the Audit Commission described existing funding arrangements as 'perverse' and recommended that government 'review the council housing subsidy system', and negative subsidy (Audit Commission, Financing Council Housing, June 2005).

Government policy is under review with the Hills report due 20 Feb, the next Comprehensive Spending Review including proposed housing investment postponed till Autumn 2007, Labour's policy forum housing working group is due to report this month, and intense pressure from Tenants, Councillors and MPs for direct investment.

6. CONSIDERATION OF THE "CALL IN"

6.1 The following procedure is to be followed for consideration of the "Call In".

- (a) Presentation of the "Call In" by one of the "Call In" Members followed by questions.
- (b) Response from the Lead Member/officers followed by questions.
- (c) General debate followed by decision.

N.B. – In accordance with the Overview and Scrutiny Committee Protocols and Guidance adopted by the Committee at its meeting on 6 June, 2006, the "Call In" Members are not allowed to participate in the general debate.

6.2 It is open to the Committee to either resolve to take no action which would have the effect of endorsing the original Cabinet decisions, or the Committee could refer the matter back to the Cabinet for further consideration setting out the nature of its concerns and possibly recommending an alternative course of action.

7. RECOMMENDATION

- 7.1 That the Committee consider the contents of the attached report, review the Cabinet's provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.