

Committee	Date	Classification	Report No:	Agenda No:
Cabinet	7 th February 2007	Unrestricted	CAB 124/067	
Report of: Corporate Director of Development and Renewal, Director of Housing Management Author: Emma Peters Maureen McEleney		Title: Housing Investment Strategy Wards affected: All		

1 Summary

- 1.1 This report sets out a vision for housing in Tower Hamlets and a revised investment strategy which will respond to the changes to the Government's Decent Homes investment programmes, maximise the funding opportunities presented by the Decent Homes Programme and create new opportunities for affordable housing in the Borough. The report outlines a range of approaches depending on different investment needs and investment opportunities for different estates and housing types within the Borough.
- 1.2 The report is set within the overall vision for housing to create long term sustainable communities, thriving markets of homes for rent and ownership, ensuring residents have access to the size and type of homes they need and to ensure the provision of decent homes and decent places for all our residents.
- 1.3 The aims of the proposals are:
- 1.3.1 To maximise and secure investment in homes for Tower Hamlets residents;

Local Government Act, 2000 (Section 97)

List of "Background Papers" used in the preparation of this Report

Brief description of "back ground papers"

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

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- 1.3.2 To deliver investment for existing Council homes in order to achieve Decent Homes Plus and Decent Places in order to create sustainable communities;
- 1.3.3 To encourage the development of new homes for rent and low cost ownership to reduce overcrowding and address demand by working with Registered Social Landlords and developers in the Borough;
- 1.3.4 To ensure that Tower Hamlets is fully involved in regional and sub-regional developments including the Thames Gateway.
- 1.3.5 To regenerate certain estates and to remodel and transform housing in these areas.

2. Recommendations

Cabinet is recommended to:

- 2.1 Agree the investment strategy set out in Section 7 of this report;
- 2.2 Agree that the Council sets up an Arms Length Management Organisation (ALMO) called Tower Hamlets Homes to manage the retained housing stock on its behalf;
- 2.3 Note 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.

Subject to Cabinet agreement of recommendation 2.2 above

- 2.4 Agree to the establishment of a shadow board for Tower Hamlets Homes comprising 4 Council nominees, 4 resident members and 4 independent members;
- 2.5 Instruct the Director of Housing Management to put in place arrangements for the appointment of resident board members and independent board members in consultation with the Lead Councillor for Development and Housing.
- 2.6 Note that the estimated costs of £335,000 for setting up Tower Hamlets Homes will be accommodated within existing Housing budgets;
- 2.7 Note that staff within the Council's Landlord Structure will be subject to the Transfer of Undertakings (Protection of Employment) Regulations 1981 and 2006 (TUPE).
- 2.8 Note 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.

3. BACKGROUND

- 3.1 In August 2006, Cabinet considered a report on the delivery of Decent Homes in the Borough and agreed to receive a further report appraising the funding opportunities for investment in the housing stock.
- 3.2 The main focus of the Councils Housing Investment Policy since 2001 has been the development of the Housing Choice transfer programme. This resulted from the Housing Stock Options Appraisal carried out by PricewaterhouseCoopers in 2000/01, which demonstrated that stock transfer offered the best route to secure the investment needed for the Council's housing stock. Since 2001, the Council has been implementing its consultation strategy, Housing Choice, designed to enable tenants in each area to consider the options for their particular area, and select partner RSL landlords for potential housing transfer
- 3.3 A further study by PricewaterhouseCooper in 2003 confirmed that the best option for investment through available government programmes of stock transfer, ALMO and PFI remained the Housing Choice programme. This study also confirmed that not all homes would transfer and that for this stock the more limited option of an ALMO was a preferred option over PFI, which was not considered to be a whole stock solution.
- 3.4 The achievements of Housing Choice have been significant for the Borough and for its residents. Through Housing Choice over £313 million of investment has been secured for the 9,610 homes that have successfully transferred to RSL's. A further £110 million is due to be secured through transfer of 3,900 homes on estates where tenants have voted in favour of transfer.
- 3.5 It is no longer possible to submit additional estates to DGLG for inclusion in the funded transfer programme as the 2006 bidding round was the last opportunity to do so. Therefore it is necessary to review the investment options that are now available for those homes that remain with the Council, including estates that will need a regeneration approach to meet their particular needs.
- 3.6 In addition to the need to achieve decent homes, the wider investment strategy seeks to address the need for affordable homes for rent and ownership to meet demand as well as the wider need to create sustainable and thriving communities. The following table illustrates the number of **affordable homes** completed in the borough since 2000:

Year	Total Completions
2000/01	595
2001/02	554
2002/03	765
2003/04	563
2004/05	583
2005/06	1007
Total	4067

- 3.7 The Local Development Framework and Area Action Plans encourage policies to enable the construction of more social housing, and affordable properties to buy through shared ownership and other schemes.
- 3.8 Proposals are also currently being developed to enable the resources used to pay for current temporary accommodation for homeless households to be used to increase supply and enable conversion to permanent accommodation over time. This will contribute to the development of sustainable communities as well as increasing supply.

4. VISION: DECENT HOMES FOR ALL NEIGHBOURHOODS

- 4.1 The vision of the Council for housing in this borough is that all its residents – of whatever income or background – can find a decent home in a decent neighbourhood across a choice of different tenure types
- 4.2 In spite of the many challenges facing the borough – where the average salary at Canary Wharf has reached £100,000 whilst 45% of the community overall is on benefits and where population is growing faster than anywhere else in the UK – that vision drives the housing investment strategy and informs our approach to neighbourhood development and management.
- 4.3 With these challenges come opportunities which make the borough unique and which allow for, and require innovation from the Council. The key opportunity is provided by the private sector, which is keen to invest in a borough whose economy is growing faster than almost anywhere else in the UK. The economic forces leading to the speedy and extensive residential development of the borough needs to be harnessed to realise our vision of decent homes in decent neighbourhoods. This ambition is grounded in the unique, dynamic reality of Tower Hamlets in the opening decade of the new millennium
- 4.4. This ambition reflects the two key themes of the Tower Hamlets Community Plan: “Living Well” - improving housing and promoting healthy living – and “Creating and Sharing Prosperity” - bringing investment into the borough and ensuring that all are residents are in a position to benefit from and contribute to growing economic prosperity.
- 4.5 To achieve this requires the Council to use and coordinate the public and private funding available, for both housing and also for health, social and community facilities and education, leisure and public realm, as the ambition is to ensure successful places as well as quality housing. It will take significant leadership by and innovation from the council to coordinate funding streams and programmes and to bring all the various partners in the private, public sectors and community sectors within a common strategy.
- 4.6 Although Decent Homes funding has been significant in and for the Borough, that investment programme cannot deliver the Borough vision by itself. Nor can, in itself, the massive private investment from the house-builders even

though they are delivering here more homes per year- and more affordable homes per year- than anywhere else in the country. A co-ordinated, strategic and partnership based approach to these different sources of investment is the key to future delivery of decent homes for all in decent neighbourhoods.

- 4.7 In conclusion, the vision for housing in the borough may be summarised as:
- Additional mixed tenure homes for families and non families alike
 - An improved, well managed public realm
 - Social and educational facilities integrated into regenerated, inclusive, cohesive neighbourhoods
 - All managed in a responsive, accessible and accountable way.
- 4.8 This will lead to the creation of modernised and refurbished homes, within a well designed environment creating safe and secure places. These will be integrated with new homes built to high standards of design achieving high levels of thermal efficiency. The range of mix and tenure will be accommodated within both traditional and modern housing types linked to and grounded in the wider community and integrated with locality based social, health and educational provision.

5 DEVELOPING THE HOUSING INVESTMENT STRATEGY

- 5.1 The proposed Investment Strategy contributes towards achieving the Local Strategic Partnership vision, established by the Community Plan, to improve the quality of life for everyone living and working in Tower Hamlets.
- 5.2 The Investment Strategy will underpin Tower Hamlets' Housing Strategy, responding to the key issues facing Tower Hamlets within the wider national, regional and sub-regional context, establishing a local approach to developing and improving homes, and housing related services.
- 5.3 The Strategy seeks to establish a clear framework for housing in Tower Hamlets based on analysis of the factors that influence current and future housing need of the borough's communities. These include:
- Growing population – largest forecast increase in London
 - Diverse population – almost half from minority ethnic communities
 - Young population – residents aged 24 to 30 make up 34% of all residents
 - High proportion of residents with special needs – estimated at 16% of all households
 - High levels of overcrowding – around 12% of all households are overcrowded
 - Homelessness – around 2,500 currently without a permanent home
 - Unemployment – in Tower Hamlets this is currently 6%, compared with 2.5% in the rest of the UK and 3.2% in London
 - Benefit Dependency of about 70% within social for rent accommodation
 - Declining proportion of social housing – from 87% in 1985 to 42% in 2005

- High cost of market housing – average cost of a home in the borough is over £300,000 (DCLG – Oct 06)
- High proportion of households on low incomes – over 43% have an annual income of below £10,000
- Condition of council owned stock – around 62% of homes falling below the Decent Homes Standard at April 2006.
- Investment need – significant gap between resources available and investment required
- High proportion of households living in unsuitable housing – estimated by the Housing Needs Survey 2004 to be 24.8%
- The increase in the number of households registered for housing – number increased by 7,000 between 1998 and 2004.

Yet at the same time:

- Average incomes in the borough have risen to £45,000 pa
- There are two jobs for every economically active person in the borough
- The Tower Hamlets economy grew faster than any other district in the UK in 2006
- There were 3,471 housing completions during the monitoring period of 2005-6, of which 29% were affordable homes
- A further 2033 affordable homes were secured through s,106 planning obligations, out of a total of 6949 housing units that were granted planning permission during the same monitoring period

5.4 Nonetheless, the Housing Needs Survey, undertaken in 2004, demonstrates the acute shortage of affordable housing in Tower Hamlets. The survey estimates that a minimum of 3,021 additional affordable homes are required each year to tackle the backlog of existing housing need and address future need. This need is exacerbated by the accelerating cost of homes in the borough; although these are still lower than in parts of London the average price of a home in Tower Hamlets stood at just over £300,000 at the end of 2006.

5.5 London Context

5.5.1 In addition to the borough context the Investment Strategy needs to respond to regional requirements. The Mayor's London Plan sets out principles for new development in the Capital, including:

- Maximising the potential of each site
- Enhancing the public realm
- Contributing to the mitigation of the effects of climate change
- Respecting local context, history, character and communities
- Promoting accessibility, sustainability and adaptability
- Securing safety.

5.5.2 The London Plan estimates that east London should accommodate a minimum of 30 per cent of the total additional homes for London. It identifies Tower Hamlets as a key area with potential that will contribute to the future

planning, development and building of sustainable communities within London.

- 5.5.3 Following recommendations from the Mayor's Housing Commission in 2000 the Mayor adopted a strategic target in the *London Plan* that 50% of all additional homes should be affordable (subject to viability); within that, 70% should be social housing and 30% intermediate housing.
- 5.5.4 On 13 July 2006 the Government announced a package of proposals to enhance the Mayor of London's role in four key areas – housing, learning and skills, planning, and water and waste.
- 5.5.5 The Mayor's proposed new housing powers include a statutory Housing Strategy which is intended to provide clear strategic leadership in delivering a Housing Strategy for all tenures and all communities in London. These will complement stronger planning powers, which ensure that borough development plans and strategic development applications are in conformity with the Mayor's *London Plan*.
- The Mayor will prepare and publish a statutory Housing Strategy for London and a Strategic Housing Investment Plan, setting out the priorities to meet the housing needs of all Londoners.
 - The Mayor will decide the broad distribution of the affordable housing part of the 'Regional Housing Pot' in line with the Strategy and the Mayor will decide in broad terms how public money for new affordable housing will be spent.
- 5.5.6 In addition the Mayor will have a new duty to prepare and publish a statutory climate change and energy strategy and a climate change adaptation strategy. The Mayor aims to cut London's carbon emissions rapidly, including from residential buildings, and the new Housing Strategy will play a key role in supporting his work on climate change.
- 5.5.7 These proposals form part of a Greater London Authority Bill which has now been put forward to Parliament. The Bill sets out the duty, framework and timetable for the Mayor's Housing Strategy. The Government anticipates that the Bill will receive Royal Assent in 2007.
- 5.5.8 In the interim period, the Government has transferred the roles and responsibilities of the London Housing Board to the Mayor. The Board has ceased to exist and the Mayor will now undertake this role.
- 5.5.9 The Mayor has expressed his intention to use the new powers vigorously and has stated that housing in the capital will have a new focus and a higher priority. In particular:
- Building more homes of the right type and in the right place to meet people's diverse needs and keep the economy buoyant.

- Creating communities that are strong, inclusive and sustainable and supported by high quality social, physical and economic infrastructure.
- Ensuring that less well off Londoners can find homes they can afford that meet their needs, by improving housing opportunities, choice and mobility.
- Reducing housing's environmental impacts, ensuring they are adapted for climate change and cheaper to run through the better design of new homes and renovation of existing homes.

5.5.10 The Mayor has recently published a Consultation Paper - Towards a London Housing Strategy - that establishes seven key areas of policy that the Mayor believes should be the focus of debate over the coming months. These are areas where he believes policy or delivery needs to be strengthened. These are:

- *Putting people first*: linking the Mayor's Housing Strategy closely to and helping deliver the wider policy aims set out in the Mayor's other strategies.
- *Building more homes*: increasing housing supply and achieving the new targets set out in the revised *London Plan*.
- *Building the right homes in the right places*: making the best use of investment and utilising London's housing capacity to deliver the mix of homes London needs
- *Creating places where people want to live*: promoting good urban design and aligning housing and other investment to create an inclusive and connected city.
- *Reviewing intermediate housing*: meeting the needs of Londoners on low to middle incomes by increasing investment in intermediate housing.
- *Promoting housing choice and mobility*: ensuring all Londoners can access housing opportunities by offering more choices across London.
- *Tackling climate change*: helping reduce energy costs and reduce carbon emissions from London's homes and ensuring that homes are adapted to inevitable changes in our climate.

5.6 East London Thames Gateway Context

5.6.1 The Investment Strategy is also responsive to the sub regional context. Tower Hamlets sits at the heart of many new development opportunities in east London and the wider Thames Gateway and has a key role in delivering the Governments plans for increasing the supply of affordable housing.

5.6.2 The Thames Gateway is one of the four Growth Areas identified in the Governments Communities Plan to deliver a step change in the supply of new housing to meet the needs of London and the Southeast.

5.6.3 The London Thames Gateway Directors Board in conjunction with the Thames Gateway Partnership commissioned the London School of Economics to work with them in developing a Thames Gateway Housing Framework. The Framework recognises the importance of good social and physical infrastructure to support new development and promotes the benefits of a 'twin track' approach, placing emphasis on established communities and building out from existing town centres and communities in addition to major new development.

5.6.4 The East London Housing Partnership was launched in 2003 bringing together all boroughs in the sub-region. The Partnership is committed to the social and physical regeneration of east London, ensuring that everyone has a decent home in mixed, balanced and sustainable communities. The East London sub-region incorporates:

- London Borough of Barking and Dagenham
- Corporation of London
- London Borough of Hackney
- London Borough of Havering
- London Borough of Newham
- London Borough of Redbridge
- London Borough of Tower Hamlets
- London Borough of Waltham Forest

The Thames Gateway incorporates the above Boroughs plus:

- London Borough of Bexley
- London Borough of Lewisham
- London Borough of Greenwich

5.6.5 The East London Partnership published the East London Affordable Housing Investment Framework 2004/2005, which established agreed priorities and principles underpinning sub-regional working. The first East London Housing Strategy has been published, setting out policy priorities and related work programmes for the period until 2010. These priorities include tackling housing need and overcrowding, promoting tenure mix and choice, renewing private sector housing and making new developments places that are safe and attractive to all communities.

5.6.6 The proposed Investment Strategy therefore aims to respond to the regional and sub regional priorities by developing proposals to continue to secure decent homes as well as address unsuitable housing, tackle overcrowding and increase the supply of new homes to meet existing and future need and develop mixed and sustainable communities.

5.7 Tower Hamlets Profile

- 5.7.1 There has been a significant growth in the number of homes in Tower Hamlets over the last 20 years, from just over 62,000 homes in 1985 to almost 92,000 homes in 2005. Over the same period the tenure profile has changed dramatically.

Tower Hamlets Tenure Profile

Year	Council	RSL	Private
1985	79%	8%	13%
1990	63%	9%	28%
1995	51%	13%	36%
2000	36%	20%	44%
2005	24%	18%	58%

Source: Tower Hamlets Records (HIP)

- 5.7.2 In the mid-1980s, 87% of dwellings were within the social housing sector. Since then significant changes to the tenure profile have taken place due to the growth in private sector development, investment in regeneration and associated RSL development, stock transfer and high levels of Right to Buy sales. In the 20 year period 1985 to 2005 Tower Hamlets has gone from holding 79% of housing stock to 24%. In the same period the proportion of stock owned by registered social landlords has increased from 8% to 18%.
- 5.7.3 All but a small proportion of council homes are flats and maisonettes and more than one third of homes are situated in blocks of six storeys or more. Almost one-third of the Council's flatted blocks were built between the 1960s and 1980s. This has left the Council with a legacy of property and estate disrepair as well as a number of design challenges.
- 5.7.4 Despite the additional resources for housing investment which have been made available by the government in recent years, the aggregated low level of resources available since the early 1980s has left a significant backlog of disrepair and improvement needs. The transfer of a very large number of homes owned by the former Greater London Council in 1986 with an inadequate repair dowry increased the difficulties in maintaining stock to a satisfactory standard. The magnitude of this problem is reflected in the number of homes failing the Decent Homes Standard (DHS), estimated to be 10,897 homes (out of 17,649) at 1 April 2006.

5.8 Housing Needs

- 5.8.1 The Housing Needs Survey indicates the minimum number of affordable homes required to meet demand. At the time of the last survey it was estimated that 80,767 households were living in the Borough, of these almost a quarter stated that they were living in unsuitable housing. Overcrowding continues to be the primary reason why housing is unsuitable and the provision of new housing of the right size, type, location and cost is the only long-term solution to meet this need. Homelessness remains a key concern with over 60% of those presenting

as homeless having been evicted by friends or family illustrating the pressures caused by overcrowding.

- 5.8.2 The need for affordable housing is driven in part by the high cost of market housing within the Borough. Market analysis undertaken as part of the Housing Needs Survey in 2004, indicates the average price of buying a home in the Borough ranges from £162,000.00 for a 1 bedroom property through to £274,000 for a 4 bedroom home. These prices have risen – the average market house price in October 2006 was over £300,000. The cost of market rents is also very high with an average ranging from £186 to £408 per week. Just over 43% of households have an income of below £10,000 clearly highlighting the inability of many households to afford market housing.
- 5.8.3 The Housing Needs Survey estimates that 96.6% of households currently living in unsuitable housing (and wishing to move within the Borough) cannot afford market housing.
- 5.8.4 The survey also provides information about the extent to which intermediate housing, defined as housing costing more than social rent levels but below market cost, can help address housing need. Results show that whilst there is potential for some households' housing need to be met through intermediate options, the scope for this is limited. Intermediate forms of housing in the Borough are generally provided at costs close to the market levels and therefore affordability remains a key issue for the majority of households in housing need. This is particularly acute for key worker households.
- 5.8.5 In addition demographic information shows that Tower Hamlets has a rapidly growing population and that this is likely to continue, with a forecast increase of a further 20,000 in the period until 2016; the largest forecast increase of all London Boroughs.
- 5.8.6 The population is ethnically diverse with almost half from minority ethnic communities. The largest of these is the Bangladeshi community who makes up 34% of the Borough population; the largest single minority ethnic population of any London Borough. Overcrowding disproportionately affects the Bangladeshi community with 64% of households registered for transfer lacking one or more bedrooms.
- 5.8.7 Tower Hamlets has a much higher proportion of the population from younger age groups compared to both inner London and England. In addition, the elderly population is forecast to continue growing and together with the numbers of young people within the population, forming households and seeking accommodation, gives a demonstrable and increasing need for smaller homes, whilst there remains an ongoing requirement to address the need for larger homes.

5.9 Investment Context

5.9.1 In the local authority context the principal capital funding sources available are:

- Major Repairs Allowance
- Supported Capital Expenditure
- Specific Grants
- Capital Receipts/ S106

The following table sets out the estimated amount of capital funding available to Tower Hamlets for Housing for 2006/7 to 2009/10. This funding will continue to reduce mainly because a number of the funding streams are based on rented stock numbers, which are reducing.

5.9.2 Funding available

	2006/7 '000's	2007/8 '000's	2008/9 '000's	2009/10 '000's
Major Repairs Allowance	13,927	12,050	11,790	11,790
Supported Capital Expenditure	15,795	15,593	12,250	12,250
Capital Receipts & Revenue Contributions	6,522	3,100	1,000	1,500
Specific Grants	360	420	450	500
New Deal for communities *	155	500	5,000	6,750
TOTAL	36,759	31,663	30,490	32,790

* subject to a deliverable scheme for Ocean Estate being put in place.

5.9.3 Certain elements of the overall funding are for specific purposes only. In particular the Major Repairs Allowance can only be used for work to Council homes. Specific grants such as Disabled Facilities Grant must be used for the purpose allocated and NDC funding, if secured can only be used for infrastructure works to assist the NDC regeneration programme. NDC grant cannot be used to fund decent homes works to Council homes. Should an alternative regeneration programme for Ocean Estate be agreed with DCLG as set out later in this report a proportion of the Supported Capital Expenditure available to the Council will be required as match funding to the NDC Grant.

5.9.4 The immediate (Catch Up) repair needs to Council homes as at April 2006 (total tenanted stock 17,649) were estimated at just under £350m. Newly arising need over the next ten years to 2015 for these properties was estimated at a further £219m (all costs at 2006 prices).

5.9.5 This clearly illustrates the significant gap between what is required to deliver decent homes within sustainable communities, and what is currently available to the Council through its own resources. This underlines the need for imaginative solutions that harness the opportunities that exist as a result of the strong private sector market for housing development.

6 THE OPTIONS AVAILABLE FOR THE FUTURE

- 6.1 As the result of a Stock Options Appraisal in 2001 the Council agreed that stock transfer was the best option to secure the investment needed and therefore developed the Housing Choice programme, which was designed to ensure residents were able to explore the stock transfer option and ultimately to make decisions on an estate by estate basis about stock transfer to an RSL.
- 6.2 Twenty Housing Choice constituencies covering 13,500 homes have chosen to transfer under this programme bringing in over £420m of investment into these estates. This represents 40% of council homes. In addition Right to Buy has continued although this is now decreasing significantly and there has also been some limited demolition. An appendix setting out details of the current stock position in relation to Housing Choice is attached to this report. (Appendix 1)
- 6.3 However, 45 estates comprising over 21,300 homes are awaiting some form of major investment in their estates and for these the options available are set out below, together with potential options for how the development of more affordable homes can be achieved.

6.4 Regeneration Options

- 6.4.1 A key element of the investment strategy is the regeneration of estates as part of comprehensive redevelopment programmes capturing opportunities from brownfield redevelopment sites. This will enable the reconfiguration of some or parts of some estates to help provide more family homes through use of improved design to make better use of the land available.
- 6.4.2 Spatial analysis through the Local Development Framework documents, master plans, the Central Area Action Plan as well as analysis of infill opportunities on existing estates has identified a wide range of redevelopment opportunities. The adjacency of development opportunities and housing estates not only provide opportunities to achieve decent homes, but also decent places. Close configuration of development sites and housing estates provide unique opportunities to capture the value of development, deliver infrastructure improvements, provide high quality amenity space and improve design quality.
- 6.4.3 Comprehensive approaches to housing regeneration can enable estates to be reconfigured to better meet the needs of local residents as well as improve the local community. For example, blocks of less popular studio properties could be replaced with family housing to help tackle overcrowding. Appropriately phased redevelopment programmes also enable the timely implementation of infrastructure and services as well as options to decant residents to homes within the same neighbourhood during the redevelopment process.
- 6.4.4 Some estates have already been identified through existing programmes for comprehensive regeneration opportunities such as Ocean. Robin Hood Gardens also has potential opportunities associated with the redevelopment of adjacent industrial land identified in the Leaside Area Action Plan. Through the Central Area Action Plan a series of other estates and potential redevelopment sites have been identified in Mile End, Bethnal Green,

Shadwell and the Limehouse Cut. The Initial Housing and Planning Opportunities and Constraints Map in Appendix 2 highlights the relationship between possible key redevelopment areas and existing housing estates requiring investment.

- 6.4.5 The map uses a traffic light system to identify the potential for regeneration around key housing estate areas. Green identifies high levels of change and regeneration; yellow indicates areas with possibility or opportunities for some regeneration; and red indicates areas that are unlikely to have substantial changes, either because work has already been undertaken, or because of known planning constraints which limit large scale regeneration.
- 6.4.6 Overlaid, against these housing estates areas, are clusters of development sites identified in the emerging Central Area Action Plan, which are likely to undergo significant regeneration.
- 6.4.7 The map identifies opportunity areas to improve co-ordination of regeneration and investment in order to maximise the benefits for the community.
- 6.4.8 In developing the detailed investment proposals and refreshing the current stock condition survey alternative options are being developed for some blocks within estates, including blocks made up primarily of more unpopular bedsitter units. Detailed option appraisals of this potential will be needed on an estate by estate basis looking at refurbishment costs, leaseholder buyout costs, and redevelopment potential in order to assess whether or not the option is viable in each particular instance.
- 6.4.6 Mixed use schemes can include employment and enterprise elements and facilitate mixed communities tackling many factors which contribute to exclusion and multiple-deprivation. Further benefits include the potential to facilitate infrastructure such as modern community healthcare facilities or localised renewable energy projects including Combined Heat and Power facilities.
- 6.4.7 Investment in decent homes is more likely to be sustainable if the homes are in decent places that are safe, accessible, supported by modern infrastructure and services and have access to employment opportunities. It is therefore vital that housing regeneration and investment is part of a comprehensive regeneration and place-making package.

6.5 Development of a Decent Homes Plus Standard for Tower Hamlets

- 6.5.1 The Decent Homes Standard is a minimum standard set by the government and does not include a number of areas of work, including environmental and security improvements, and the repair or replacement of lifts.
- 6.5.2 Latest DCLG guidance on the delivery of Decent Homes published in June 2006 suggests it should be regarded as a standard that triggers action rather than the standard to which work should be carried out. This approach is designed to encourage a more comprehensive approach to delivering decent places and estates rather than focussing just on the physical condition of key building components.

6.5.3 Local authorities are therefore encouraged to consult with their residents and adopt a “Decent Homes Plus” standard for their areas to reflect their local priorities and to use this as a local standard to which all homes should be improved. For Tower Hamlets this process would be linked to the development of the investment programme for retained Council homes and informed by the estimates of funding that will be available.

6.6 Individual Estates

6.6.1 Key estates will need tailored solutions, including:

- Continuing Stock Transfer Option – for those estates that where sufficient progress has been achieved through the Housing Choice Programme - this option remains for a number of estates that have a place on the stock transfer programme as it remains their best option for investment. However this option is no longer available for any estate not already on the DCLG transfer programme. The Government has now ended the potential for any further transfer options that require gap funding by closing the decent homes programme.
- Ocean Estate/NDC, which will be the subject of a further report to Cabinet setting out the requirements of the DCLG rapid review of the NDC which assesses the implications for Ocean NDC’s programme of the vote against transfer in September 2006. Officers are currently working on proposals to safeguard the NDC grant and a report on the options for Ocean Estate will be presented to Cabinet in March 2007.
- English Partnerships, the Government’s national land and development agency, has acquired an area of land adjacent to the East India Dock complex and Robin Hood Gardens and have approached the Council about the potential for a joint approach to regenerating the area. Feasibility work is being undertaken by EP and Council officers, which may lead to a more detailed proposal being presented to Cabinet for decision in due course.

6.7 Low Cost Home Ownership

6.7.1 In addition to the development of an investment strategy to address the investment needed in our existing stock, and utilise land assets and development opportunities as part of this process, proposals are also being developed to put in place a Community Land Trust. This is linked to our LAA commitment to develop long term, sustainable, affordable home ownership models. The proposal is to develop a new model of affordable home ownership, targeting particularly larger family accommodation that would enable people on lower and medium incomes to remain in the borough.

6.7.2 Affordable homes to buy are needed in addition to affordable homes to rent. Although Tower Hamlets is delivering more new homes than any other borough in London (13,650 total new units between 1999 and 2005) the

majority of these are not accessible to local residents nor, looked at in isolation, do they promote “mixed communities”. In common with most of inner London there has been an emphasis on the construction of one and two bedroom flats in high density developments, that promote the concept of “young urban living”, marketed on the basis of proximity to the City or Canary Wharf; waterside locations and leisure facilities such as bars, restaurants, and private gymnasiums

- 6.7.3 The shortage of family accommodation is therefore as pronounced for middle income or affluent households as it is for the poorest residents. In consequence it can become a pattern for those planning a family, or with a growing family, to seek to leave Tower Hamlets. This could have a potential knock-on effect on different aspects of community cohesion, perhaps particularly in respect of the variety of aspirational role models available for young people, the mix of intake in schools, on models of parenting in neighbourhoods etc. These have consequences for anti social behaviour, employers’ perception of the readiness of young people for employment and can lead to a range of “social problems” becoming entrenched.
- 6.7.4 There is also a significant implication for the stability of public sector provision in inner city areas such as Tower Hamlets. The National Health Service is one of the biggest local employers, with Barts and the London NHS Trust alone employing 8000 people. The Local Authority employs nearly 6000, in its schools alone. Police, the Fire service and public transport all require employees, most of whom will be earning no more than average incomes. The housing options for all these workers within the borough are restricted; increasingly, if public sector employees in the borough want families, they cannot afford to buy in the borough. This puts pressure on transport infrastructure and affects recruitment and retention in key services.
- 6.7.5 Sites are being identified to develop an equity stake model to provide homes affordable to local residents. This offers a radical approach to the development of affordable housing for ownership and will provide a potential future model for development. The LDA has offered financial support to develop this option.
- 6.7.6 In developing the option, a number of areas need to be resolved if we are to resolve the constraints and barriers which have traditionally meant that this type of “intermediate” housing provision does not meet the needs of many Tower Hamlets residents. These include:
- Land values, particularly of public sector landholdings and the ability of the public sector to discount land values and/or to defer its receipt until the end of the development and/or to take an equity stake in lieu of a receipt.
 - Density levels and in particular maximum densities compatible with sustainable family housing.
 - Sale options tailored to the needs of local people that go beyond traditional shared ownership and shared equity models

- Longer term affordability issues such as service charges and cost in use, especially in relation to energy costs.
- Mixed tenure developments that increase choice and flexibility for householders e.g. by maximising the stair-casing potential into and out of home ownership.
- Grant implications and other costs to the public purse e.g. the impact of housing corporation grant regimes and the potential impact of tenure mix on the calls on local public services.
- Re-sale issues and the ability to maintain the public subsidy when the unit is resold.
- The way in which the development could capture the increasing land value over time.
- The need to ensure a re-sale market which gives certainty to purchasers that they can move on when required and share in the increased value of their property and contributes to the maintenance of a balanced community
- The role of RSLs in developing/managing/retaining equity in the stock.
- The role of a special purpose development partnership or other company or governance structure.
- The role of public sector partners as landowners, funders and enablers.
- Construction methods
- Energy efficiency and other sustainability measures.
- The ability to provide the opportunity for families of Tower Hamlets residents to remain in the borough e.g. 'first refusal' options

6.7.7 These issues will need to be addressed through the development of an innovative financial model or models in consultation with LDA, EP and the Housing Corporation. It is proposed to report back to Cabinet with more details in early summer 2007.

6.8 Temporary to Permanent Accommodation

- 6.8.1 Tower Hamlets in common with all councils provides temporary accommodation for homeless households. Some of this accommodation is within the Council stock and some is made up of private sector properties that are leased by the Council.
- 6.8.2 The potential to use some of this portfolio to create "temporary to permanent" homes is currently being explored to enable the permanent supply of

accommodation to be increased, to make best use of the assets available and to create sustainable communities.

- 6.8.3 In order to achieve this, a social landlord partner would be needed who would own/manage the temporary accommodation and use the rental income to enable further properties to be acquired, with a long-term business plan that would enable properties to be converted to permanent accommodation over a given period of time. This is a similar model to “Local Space” an RSL specifically set up for this purpose by Newham Council.
- 6.8.4 The GLA has recently invited London local authorities to bid for grant funding to enable temporary to permanent schemes to be developed through the Settled Homes Initiative. £30 million is being made available to help councils expand temporary to permanent settled homes initiatives where these help meet the targets of reducing the number of households in temporary accommodation. Tower Hamlets has made a bid of circa. £5 million to this initiative.
- 6.8.5 It is intended to bring a detailed report on proposals for a temporary to permanent scheme to the March Cabinet meeting.

6.9 Management Options

- 6.9.1 There are 3 potential options for the future management of the Council’s retained estates:
- Managing the homes “in house”.
 - Inviting tenders from other housing management providers under EC tendering and assessment procedures.
 - Management agreement with an Arms length Management Organisation (ALMO). This is exempt from EC procurement requirements.
- 6.9.2 Only the third option has the potential to generate additional investment to that available to the Council through existing routes. Therefore where estates do not transfer, an Arms Length Management Organisation (ALMO) remains the next best option. It does not generate the level of resources and benefits stock transfer can bring but can lead to the delivery of decent homes through the Governments Decent homes programme.
- 6.9.3 The 2006 Decent Homes bidding round was the last round to provide a certain funding stream. Cabinet at its meeting on the 2nd August 2006 agreed to submit a bid to DCLG for £192.2m of decent homes funding through the ALMO route in order to maximise the Councils options. The result of this application is currently awaited.
- 6.9.4 Under the ALMO programme the level of investment is limited to the cost of the Decent Homes programme plus 5%. This is designed to deliver essential investment to buildings including roofs, windows etc as well as kitchens and

bathrooms which fail the decent homes criteria. Decent Homes funding is provided by additional borrowing credits to the local authority, and loan charges are recovered through Housing Revenue Account Subsidy. This funding is only available to deliver decent homes via an ALMO and cannot be used for any other purpose.

- 6.9.5 ALMOs manage council housing through a management agreement. Contracting housing management to an ALMO is very different to a transfer under Housing Choice. With an ALMO tenants remain secure tenants of the council; leaseholders remain council leaseholders; the council continues to set both housing policy and the rent and the ALMO is 100% owned by the Council. The only change is in the management arrangements for the services provided to residents, and these would continue to be closely monitored by the Council. An ALMO has an independent board made up of residents, council nominees and independent representatives who are responsible for all aspects of day to day management. Local Authority Staff transfer to the ALMO on existing terms and conditions through TUPE.
- 6.9.6 The delegation of the management of Housing stock to an ALMO needs to be agreed by the DCLG under section 27 of the Housing Act 1985. An application for consent has to set out all the arrangements under which the ALMO would manage the stock including the homes to be managed, the functions delegated, the Council's continuing role, the financial arrangements, details of how residents have been involved and consulted about the setting up of the ALMO, the Board governance arrangements, staffing arrangements and the decent homes targets and delivery arrangements.
- 6.9.7 If an ALMO is established it is subject to inspection by the Audit Commission and must achieve a minimum of two stars in order to be able to access additional funding. Successful ALMOs have brought significant focus from within to enable this to be achieved. To date 85% of ALMOs that have been inspected have achieved a 2 or 3 star rating. In addition the Council would be instrumental in setting the targets and timetables of the ALMO for achieving improvement and would have a vigorous monitoring regime to which the ALMO would have to account for its progress. This would be achieved through a Management Agreement with the ALMO and a Delivery Plan under which the Local Authority sets targets and the ALMO agrees to deliver them. If the ALMO fails to achieve the targets set, the local authority can influence change within the ALMO both through its 100% ownership of the ALMO and through its representatives on the Board. It also has the option to wind up the ALMO as a last resort.
- 6.9.8 Other investment options will arise through mapping potential redevelopment opportunities, as set out in section 6.4, which will be used to supplement the mainstream and ALMO decent homes funding by producing further regeneration opportunities to achieve lasting and sustainable regeneration.
- 6.9.9 If an ALMO was to be developed it is anticipated that the earliest opportunity to access funding would be in the spring of 2008 if the ALMO achieves a 2* rating. Potentially this could effectively double the total capital funding

available to the council to invest in its homes with an additional £21.3 million 2008/09 and £26 million in 2009/10. Total decent homes resources of £192.2m have been bid for the period 2008/9 to 2016/17. However, the amount of decent homes funding that will be made available from DCLG is uncertain. The application for S27 consent is likely to include stock that was not part of the original bid. DCLG have indicated that they would consider the funding requirements for these estates as part of their regular two yearly reviews.

6.9.10 If the ALMO does not achieve 2** at its first inspection it remains an option for the Council and the ALMO to continue to strive for 2** through re-inspection and this route has been taken by a number of ALMO's which failed to obtain 2** at the first Inspection. If the ALMO consistently fails to achieve 2** then the Council could decide to close the ALMO and absorb housing management back into the Council. However no additional funding would be available from the government and there would be little prospect of further investment for Decent Homes beyond what is currently available.

6.9.11 Other Councils have selected the option of setting up an ALMO either in whole or in part to enable them to bring their homes up to a decent standard. The following East London Councils have set up ALMOs:

Hackney
Havering
Newham
Redbridge
Waltham Forest

Of these Newham and Waltham Forest have already been inspected and both have achieved a 2 star rating from the audit commission. Hackney, Havering and Redbridge are still to be inspected.

6.9.12 A summary of the advantages and disadvantages of setting up an ALMO are set out below.

Advantages

- Potential Government Funding of up to £192.2m to bring homes up to a decent standard
- Additional incentive to provide an excellent service to residents through a focussed improvement plan and inspection process.
- Homes stay in Council ownership
- Council remains in control of all housing policy
- Council owns 100% of the ALMO and can terminate the contract with the ALMO if it fails to deliver service improvements to residents
- Council continues to set the rent
- Both Tenants and Leaseholders can have greater direct involvement by becoming ALMO board members and influencing activities
- The ALMO must account to the Council for service improvement

Disadvantages

- Additional funding is not guaranteed as it depends upon achieving a 2 star rating from the Audit Commission
- Funding is limited to “Decent Homes” plus 5% and any higher standards must be found from other resources
- There are estimated set up costs of £335,000 associated with the creation of an ALMO and negotiating the management agreement (see paragraph 6.7.14 below)

6.9.13 If the Council decides to proceed with an ALMO the following key decisions need to be made:

- **Name:** It will be necessary to agree the name in order to set up a Company, which must be established before the final Section 27 (Housing Act 1985) application to the DCLG for permission to proceed is submitted. It is proposed that the new organisation be called Tower Hamlets Homes.
- **Board Composition:** An initial shadow Board based on 4 Council Nominees, 4 Resident Nominees and 4 Independent Members is proposed. Provision will need to be made to cover any Council Nominees who were also residents. In addition, the tenure balance will need to be taken into account when determining the make-up of the resident nominations. It is intended to put in place a recruitment process for independent board members using advertising and skills analysis. Resident board members will be recruited through the resident involvement register.
- **Resident Support:** It is a requirement of the DCLG that the Council has evidence of tenants’ and leaseholders’ support for an ALMO, and of discussions held with staff about an ALMO. An ALMO is a change in management and not a change of landlord and therefore the consultation requirements are different from those for stock transfer. The DCLG guidance states that a range of consultation approaches are available to demonstrate support. Councils which have established ALMOs have used a range of the methods including, surveys, questionnaires, focus groups, meetings and ballots. For example Brent, Newham and Westminster all conducted resident surveys.

In Tower Hamlets any method selected will need to ensure that it is clear that the management of an ALMO is clearly distinct from a stock transfer. Hillingdon for example selected a survey for its ALMO explicitly because of previous stock transfer ballots and a similar approach may be appropriate for Tower Hamlets where, over the last 5 years ballots have become synonymous with transfers to Registered Social Landlords.

6.9.14 Indicative Timetable

Action	Current Timetable
1 Council Decision to establish a Shadow ALMO Board plus key delegations and a set-up budget.	February 2007
2 Appoint Council Board members	March 2007
3 Put in place arrangements to recruit independent and resident board members	March/April 2007
4 Consultation with Residents and Staff	February - July 2007
5 Determine ALMO structure and staffing	By July 2007
6 Finalise Landlord Role of ALMO and Strategic Role of Council i.e. what functions to be carried out by the ALMO & services to be provided by Council	Part of S27 application: July 2007
7 Determine Management Agreement & first year Delivery Plan – including performance criteria required of the ALMO	Part of S27 application: July 2007
8 Make Section 27 application	July 2007
9 ALMO launch date	1 st October 2007
10 Indicative Audit Commission Inspection	March/April 2008
11 Release of Decent Homes Funding (dependent on achievement of 2* status)	June 2008

6.9.15 Set Up Costs:

The estimated costs associated with setting up an ALMO in Tower Hamlets are £335,000 as set out below. These costs can be accommodated within existing budgets.

ALMO Programme Support	£75,000
Governance	£50,000
<i>This includes Board Recruitment & training,</i>	
Legal Costs	£100,000
Resident Consultation	£75,000
Miscellaneous	£35,000
TOTAL	<u>£335,000</u>

6.10 Resident Involvement

6.10.1 Residents will be fully involved in all aspects of investment, whatever the specific route for any given estate. The investment strategy will involve a range of resident involvement mechanisms tailored to meet particular needs and requirements. If an ALMO is set up by the Council it will need to develop a delivery plan for decent homes and residents would be consulted widely to define what will be covered and the setting of priorities for the works programme. In particular there would be wide consultation with residents on the scope of the decent homes plus standard within the overall framework of resource availability.

6.10.2 All regeneration schemes and other proposals will be developed within a framework of resident involvement and engagement involving a range of methods.

7. RECOMMENDATIONS FOR A FUTURE INVESTMENT STRATEGY

7.1 The proposed Housing Investment Strategy comprises the following elements, which address both new supply, and the improvement of the existing housing stock:

- New social housing through private sector development and the use of S106 agreements and government funding to help relieve overcrowding and the wider regeneration of estates'
- Regeneration of those estates where comprehensive redevelopment is the best option and the redevelopment and remodelling of some blocks on estates to create a better match of stock to needs.
- Completion of the stock transfer programme for those estates where this remains a viable option.
- Development of a Decent Homes Plus Standard for Tower Hamlets.
- Creation of the opportunity to fund a decent homes programme across our estates by setting up an Arms Length Management Organisation. This includes the identification of development opportunities to help fund the Decent Homes Plus Standard for Tower Hamlets across all estates to give residents better standards of accommodation and help to promote sustainable communities;
- Expansion of Low cost Home Ownership options for residents.
- Development of innovative ways of maximising resources to provide more settled homes for homeless households.

8 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 8.1 The report sets out the scale, complexity and nature of the challenge for affordable housing in the Borough. The report sets out a strategy of working with RSLs, Government, other local authorities and the private sector (directly or through s.106) to generate funding. Progress towards achieving the strategy set out in the report will be governed as much as anything else by the availability of funding to ensure its delivery.
- 8.2 The Council has insufficient resources to ensure that its own council houses meet the decent homes standard. The proposal to set up an ALMO should, once the ALMO achieves a 2* inspection, enable the Authority to attract £190m of funds to improve homes to a decent standard.
- 8.3 This will not provide funding for all the needs of neighbourhoods as the decent homes standard, and associated funding, focuses on the immediate needs of the home rather than the wider neighbourhood. Consultation on a proposed decent homes plus standard will not only need to take into account the views of the residents but also where and how the funding will be obtained to deliver such a standard.
- 8.4 As the report points out, detailed evaluations of regeneration and estate development options including financial implications will be required. Any such proposals will need to be included in the Councils investment strategy and programme for future years.
- 8.5 The existing approach to achieving Decent Homes - Housing Choice and stock transfer to RSLs - continues to be implemented and it will be some years before all the investment is completed across the Borough under this arrangement. The HRA 2007/08 and proposed General Fund budget takes into account the implication of the Housing Choice programme and it is anticipated that the impact for 2008/09 will be similarly managed as part of that year's budget setting process.
- 8.6 The proposed ALMO will have organisational and financial implications. The direct set up costs have been identified to the HRA at £335,000. Although there will inevitably be a wider impact on staffing and organisational change (such as on financial and IT systems). The HRA budget for 2007/08 provides for the direct costs: the wider changes will need to be managed and funded from within existing HRA budget and resources.
- 8.7 The ALMO has potential significant organisational and financial implications on the whole Council and on the General Fund. These will need to be carefully planned and managed. The overriding requirement is to ensure that arrangements between the ALMO and the Council are set up in such a way as to be financially efficient within the overall need to deliver improved services.
- 8.8 Each ALMO is unique and decisions will have to be made as to the most appropriate structure for Tower Hamlets, nevertheless there are basic aspects to all ALMOs for example they all have their own accounts, audit, tax liability and reporting requirements (under the Companies Act). The Council continues to operate a HRA and the Council retains income from rents and subsidies. There will be an impact on support services and systems. The

intention is to offer the ALMO the use of LBTH support services initially but the ALMO may decide in due course to make its own arrangements.

9 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 9.1 Although there are no immediate legal implications arising from this report, the various elements of the proposed strategy all have attendant legal regimes to a greater or lesser extent. Whilst it is not necessary to detail such provisions at this stage, implementation of each element will necessitate adherence to the appropriate legal requirements.

10 RISK MANAGEMENT IMPLICATIONS

- 10.1 The delivery of the objectives set out in Investment Strategy will be subject securing external funding both from government and through partnerships with RSLs and developers. In addition decent homes funding through the ALMO route is dependant on the ALMO securing a 2 star rating from the Audit Commission.
- 10.2 Robust project planning, effective delivery plans and a service improvement plan in the case of the ALMO will therefore be put in place to ensure that objectives and appropriate timetables are met.

11 ANTI POVERTY IMPLICATIONS

- 11.1 Poor housing conditions or lack of housing are synonymous with poverty, hence the Government's objective of bringing all homes up to a "Decent" Standard. All of the objectives set out in this report are aimed at improving the existing housing and providing new homes, which will help alleviate poverty in the Borough.

12 EQUAL OPPORTUNITIES IMPLICATIONS

- 12.1 None arising directly out of this report

13 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 13.1 As set out in the body of the report, the London context within which the Council will be required to deliver its Housing Investment Strategy includes a strong bias towards addressing the issue of climate change. All development, regeneration, repairs and improvements however funded will need to be delivered in this context. The recommended strategy is the vehicle to maximise housing investment in the borough, which is necessary to address greener environment issues.
- 13.2 The backlog of investment required to the Council's Housing Stock and lack of resources means that much of the Housing stock suffers from poor thermal

efficiency resulting in higher than necessary fuel usage. Only if sufficient resources are identified will it be possible to introduce improvements.

14 EFFICIENCY STATEMENT

- 14.1 In order for an ALMO to achieve a 2* inspection it is necessary to demonstrate that value for money is at the heart of the organisation. A Value For Money strategy will need to be adopted and implemented to ensure a 2* rating and as consequence access to the estimated £190m of funds. There is therefore a powerful incentive to ensure an efficient and effective ALMO. The contractual arrangement made between the Council and the ALMO may include specific value for money and efficiency targets.

APPENDICES

- 1 Current Estate Status Report
- 2 Initial LBTH Housing and Planning Opportunities and Constraints Map