

<b>Cabinet</b>	 <b>TOWER HAMLETS</b>
Wednesday 18 December 2019	
<b>Report of:</b> Ann Sutcliffe, Corporate Director, Place	<b>Classification:</b> Unrestricted
<b>Angela Court</b>	

<b>Lead Member</b>	<b>Councillor Sirajul Islam, Statutory Deputy Mayor and Cabinet Member for Housing</b>
<b>Originating Officer(s)</b>	Karen Swift, Divisional Director, Housing and Regeneration
<b>Wards affected</b>	Mile End
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	N/A
<b>Reason for Key Decision</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	<b>A borough that our residents are proud of and love to live in</b>

### **Reasons justifying urgent consideration**

Agreement has only recently been reached that this proposal was the most appropriate course of action. Whilst the report could have been delayed to a later Cabinet meeting, any delay to the decision results in a delay to taking action to help support residents into housing. It is also noted that this report follows on from a Cabinet report presented at the meeting on 31 July 2019 and so is not a wholly new issue.

### **Executive Summary**

The report is proposing that the Mayor adopt one of the alternative options for Angela Court that were set out in the Cabinet report of 31 July 2019. This is because the agreed option - to grant a lease to Mulberry Housing Society (MHS) has not materialised and Angela Court needs to be put to alternative use.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Agree that negotiations with MHS are terminated.
2. Agree that Angela Court is acquired into the Housing Revenue Account and the units let on secure tenancies.
3. Agree that Angela Court and the units therein are managed by Tower Hamlets Homes subject to any necessary variations to the management

agreement.

4. Delegate to the Corporate Director of Place in consultation with the Corporate Director of Finance any further decisions required to achieve the outcomes set out in these recommendations.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The decision is needed because Cabinet had earlier approved that the Council grant a lease of Angela court to MHS.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The option to continue to negotiate with MHS remains open to the Council. However, under this option the property will remain unlet for a further period for terms to be agreed. This option is not recommended.

## **3 DETAILS OF THE REPORT**

- 3.1 MHS is an independent charitable community benefit society that was established in 2017, as approved by the Mayor in Cabinet in February 2017.
- 3.2 The Society is established to provide affordable homes for the benefit of the residents of Tower Hamlets. The Mayor agreed to set up MHS as a Council-sponsored housing delivery vehicle that could receive grant in the form of Right to Buy receipts and draw on loan finance from the Council.
- 3.3 MHS was envisaged to develop new homes on Council-owned land as well as to acquire homes for use as affordable housing, including through s106 Planning agreements.
- 3.4 It is worth restating MHS's objectives  
  
'the business of providing and managing housing, including social housing and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of the aged, disabled (whether physically or mentally) or chronically sick people.'
- 3.5 On 10 November 2017, the Mayor agreed a budget of £60m to fund the purchase of new affordable housing in the borough, to be built by developers as part of planning obligations.
- 3.6 On 19 June 2018, as part of the programme and in line with the delegated authority given by the Mayor, the then Acting Corporate Director of Place agreed to acquire the freehold interest in Angela Court from Canary Wharf Group. Mention was made in that report of the option for the Council to lease Angela Court to MHS. MHS could obtain a loan from the Council as well as grant to fund the purchase.

3.7 Angela Court is a development of 42 affordable housing units, constructed by Canary Wharf Group, in line with its obligations under an s106 agreement relating to a separate site. The property contains the following accommodation;

- 1 Bed x5, Social Rented Housing
- 2 bed x5, Social Rented Housing
- 3 Bed x30, Social Rented Housing
- 4 Bed x2, Social Rented Housing

3.8 In July 2019, the Council completed the purchase of Angela Court and has been working with Canary Wharf Group to get the building ready for occupation.

3.9 The Council approved the terms of a transaction for MHS to take on Angela Court at a meeting of its Cabinet on 31 July 2019. Officers began negotiations with MHS on a lease, finance and grant agreement.

3.10 Unfortunately, negotiations have not progressed at the pace anticipated and it has become necessary to put the homes to alternative use.

3.11 The Council considers that Angela Court is ready for letting. The Council is keen to let it as soon as possible.

#### **4. Equalities implications**

4.1 Forty-two units of accommodation are ready for occupation. These homes are affordable homes and letting these units will contribute to meeting housing need of those on the housing register.

#### **5. Other statutory implications**

5.1 The statutory implications for this report relate to the statutory requirement for the Council to maintain a register of those in housing need and to meet that housing need.

#### **6. Comments of the Chief Finance Officer**

6.1 In funding the acquisition the Council will utilise 30% Right to Buy receipts, with the remainder being through borrowing.

6.2 The Mayor in Cabinet on 7th February 2017 approved the establishment of Mulberry Housing Society, a charitable Community Benefit Society (CBS), to provide homes for sub-market rent. It was agreed that £30 million of resources would be made available to the CBS, including an allocation of retained Right to Buy receipts of up to £9 million, representing 30% of the total financing available. This funding has been incorporated within the Council's capital programme.

- 6.3 Angela Court was proposed to represent the first of these schemes to be let through Mulberry Housing Society where 42 units have been purchased from Canary Wharf Group to be let at social rent levels. However, following legal advice given to Mulberry Housing Society, it was not deemed to be on acceptable financial terms and an alternative funding arrangement has therefore been sought.
- 6.4 It is proposed to fund this acquisition through the Housing Revenue Account (HRA), enabling LBTH to advertise and fill the properties. As a result, any benefit realised in the form of rents and service charges will remain within the HRA, which will also bear any future risk and cost associated with these properties.
- 6.5 The acquisition costs do not currently form part of the approved HRA capital programme. As a result, formal approval will need to be sought ahead of utilising the HRA for this acquisition.
- 6.6 Funding mechanisms for the capital programme are applied at year end when costs have been determined and the financial position of the Authority understood. As the properties have not been directly funded through the General Fund at the time of purchase, no appropriation will need to take place when funding them through the HRA.
- 6.7 LBTH has considered the impact of the cost floor on any future right to buy sales when recommending funding the acquisition through the HRA. As the cost floor is lower than the discounted sale price, it is ignored and the sale must be at the discounted sale price (market value less RTB discount), preventing tenants obtaining the properties at significantly reduced prices.

## **7. Comments of Legal Services**

- 7.1 Since there is no legally binding contract between LBTH and MHS, LBTH can cease negotiations without any financial penalty to either party.
- 7.2 The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation, either by erecting houses, or converting buildings into houses on land acquired by it for the purposes of Part 2 of the Housing Act 1985, or by acquiring houses. The council is able to rely on this power to utilise Angela court as housing accommodation.
- 7.3 Under S.74 of the Local Government and Finance Act houses provided under part 2 of the Housing act must be accounted for in the Housing Revenue account. The report notes that the building is to be acquired into the HRA
- 7.4 Under the Housing Act 1996, any lettings of part 2 accommodation must be in accordance with the council's published allocations scheme.
- 7.5 Under the Housing Act 1985 secure tenants have the right either to buy the freehold or be granted a long lease of a flat in which they are living. The

secure tenant must have been living in the property for at least 3 years. The properties will therefore be subject to the Right to Buy.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- 31 July 2019 Cabinet Report

### **Appendices**

- None

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

N/A