

**MEETING OF THE BOARD
12th August 2020**

Via Zoom

AGENDA

		Type	Lead
<i>Open session</i>			
<i>Introductory items</i>			
1.	Apologies for Absence	For Information	Chair
2.	Declarations of Interest	For Information	Chair
3.	Questions from Members of the Public	For Discussion	Chair
 <i>Items for decision and discussion</i>			
4.	CE Report	For Information	Susmita Sen
5.	Finance Year End 2019-20	For Information	Neil Isaac
6.	AOB	For Discussion	Chair
 <i>Closed session</i>			
<i>Item for decision and information</i>			
7.	Compliance Report	For Information	William Manning
8.	Procurement Update	For Information	William Manning
9.	Breach of LBTH Procurement Regulations	For Information	Neil Isaac

TOWER HAMLETS HOMES

NOTE BY CHIEF EXECUTIVE

DECLARATIONS OF INTEREST

Where Members of the Board have an interest in any business of the Board, then she/he must disclose this interest.

Members must disclose the existence and the nature of the interest at the start of the meeting and certainly no later than the commencement of the item when the interest becomes apparent.

Personal Interests

A Board Member must regard themselves as having a personal interest in any matter if the matter relates to an interest in respect of which notification must be given, or if a decision upon the matter might reasonably be regarded as affecting, to a greater extent than other tenants or inhabitants of the Tower Hamlets Homes area, the wellbeing or financial position of themselves, a relative or a friend, OR

- a) Any employment or business carried out by such persons;
- b) Any person who employs or appointed such persons, any firm in which they are a partner, or any company of which they are a director;
- c) Any corporate body in which such persons have a beneficial interest in a class of securities exceeding a nominal value of more than 2% of the issued share capital in a company;
- d) Anybody listed in sub-paragraphs (a) to (e) of paragraph 14 of the Resource Pack in which such persons hold a position of general control or management.

Prejudicial Interests

1. Subject to the provisions of paragraph 2 below, a Board member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a tenant of Tower Hamlets Council as covered by the Management Agreement or a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Board member's judgement of the public interest.
2. A Board member may regard themselves as not having a prejudicial interest in a matter if that matter relates to –


- a) Another relevant organisation of which they are a member;
- b) Another public organisation in which they hold a position of general control or management;
- c) A body to which they have been appointed or nominated by Tower Hamlets Homes as its representative;
- d) Where a Board member holds a tenancy or lease with a relevant organisation, provided that they do not have arrears of rent with that relevant organisation of more than two months, and provided that those functions do not relate particularly to the Board member's tenancy or lease.

Participation in Relation to the Disclosure of Interests

A Board member with a prejudicial interest in any matter must –

- a) Withdraw from the room where a meeting is being held whenever it becomes apparent the matter is being considered at that meeting, unless she/he has obtained a dispensation from the Board's Chairman or Company Secretary; and
- b) Not seek improperly to influence a decision about that matter.

Should you require any further information, please contact Neil Isaac, Director of Finance, telephone: 020 7364 7130, neil.isaac@thh.org.uk

Board of Directors 12 th August 2020	
Report authorised by: Susmita Sen - CEO Report Author: Paul Davey – Director of Business Transformation	Report type: For information
Title: CEO Report	

1. Introduction

This report provides the Board with updates from Neighbourhood Services, Asset Management and Business Transformation. There are also brief sections on the Management Agreement, and Performance.

2. Recommendation

2.1 That Board Directors note the contents of this report

3. Neighbourhood Services

3.1 Leasehold Services

Overall leasehold income collection is down on last year, but July's income figures have held up reasonably well. The team are currently sending out a specific tailored arrears letter to around 5,000 leaseholders who have yet to make a payment. The letter is a softer in tone than our usual letters and doesn't mention being referred to our external solicitor. We are planning for when courts resume but clearly anticipate capacity issues as large numbers of referrals are made accordingly for the return of formal legal action. We will also be meeting with LBTH later this month to review the position and assess targets.

Work is also underway between finance and leasehold services to prepare the 20/21 service charge actual which will be dispatched in September.

We are now moving forward with the leasehold improvement plan following the work undertaken by the Housing Quality Network and the Leasehold Steering Group. As Board Directors will recall the report contains a phase one action plan and we have prioritised 36 recommendations specified in the report. Progress on the work

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contained within the plan is being overseen by CETF who have received reports at their two recent meetings in June and July. CETF members have asked that we revisit the stake holder engagement on the ambition and vision contained within the plan to ensure that the Mayor and other lead members are fully sighted on it as it was some while ago that the plan was shared. This will be addressed at the next THH meeting with the Mayor.

In addition, work is being agreed on a clear set of performance measures to gauge success of the programme.

Voids and New Build Schemes

The voids officers have been working very hard to progress lettings given the pent-up demand from residents who face difficult housing circumstances. Viewings and sign-ups are being undertaken in line with guidance on social distancing and our local risk assessment. There are also a number of new build schemes coming on stream over the coming weeks and so the team are also undertaking viewings and sign ups as follows:

24 Homes at Levitas House Jubilee Street

Viewings commenced 3 August

First residents will move in 10 August

33 Homes at Pyrus House Rhodeswell Road

Viewings likely to commence 10 August

20 Homes at Orwell House Baroness Road

Handover likely to be 15th September

Properties currently being advertised by LBTH

In addition, we are planning for residents to finally move into the new homes at Angela Court in the coming weeks following final sign off of further works by LBTH Building Control and Insurance Sections. As this inspection is imminent at the time of writing a verbal update will be provided to Board on the night.

ASB Team

The team have been running a targeted Summer Operation. This started on 1st July and is running through to the end of August. It involves uniformed and plain clothed police patrols in marked and unmarked vehicles. Shift patterns have been changed to enable the execution of warrants and extra late shifts to 3am to tackle issues affecting residents. At the same time our ASB officers have been compiling evidence to support enforcement action against perpetrators who persistently engage in ASB and vandalism around our blocks. The action is being co-ordinated with the LBTH Substance Misuse Team to ensure that Positive Requirements as ordered by the courts are compiled with.

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4. Asset Management

4.1 Rooftop Developments

Board will recall that LBTH have asked THH to undertake some development work for them comprising adding additional floors to existing blocks. Three blocks have been chosen for the pilot programme and these are 26-37 Harpley Square, 1-30 O'Leary Square and 2-10 Tomlinson Close. The blocks will have one or two storey extensions on the roof to give between 16 and 24 new units. External works will also be carried out to other blocks on the estate to ensure value for money and to minimise resident disruption.

THH are finalising the Consultation Strategy for this workstream, with face to face consultation (observing social distancing guidelines) to start during week commencing 24th August. It is currently anticipated that construction will commence during Summer 2021. THH and LBTH are also finalising the proposed Service Level Agreement that will see a dedicated project team within THH manage this workstream on behalf of the Council.

4.2 Repairs Re-Procurement

As indicated in the updates to the Board in April and May, the procurement of the new responsive repairs contracts has been significantly impacted by the Covid-19 pandemic in particular by the uncertain market conditions and furloughed staff within the contractor environment. Consequently, the timescale to deliver the new contracts has been delayed. The revised strategy will see the existing Mears contract extended for an additional six months, but with an option to exit any of the four service elements earlier. The procurement process has now resumed and the accelerated procurement procedure will be used to speed up the process and stagger the procurements in a way that will see the new contracts starting between June and October 2021.

While the proposed contract extension is possible under procurement regulations, it is not automatically compliant with the requirements of leasehold consultation. As such, this will require a change in practice/operating procedures when undertaking works to communal areas. The potential value of leasehold charges is £0.6m. In practice this will mean that non-urgent or non-essential work may be delayed, retrospective dispensation from the obligations of leasehold consultation may be required for some works and capital contractors may be asked to deliver some elements of work. Robust processes have been put in place to manage this risk.

The Civil Emergency Contract Approval form detailing the above has now been submitted to the Council for approval.

5. Business Transformation

5.1 Recovery Plan - Offices

THH reopened its headquarters on 22nd June with full social distancing measures in place. This had restricted the number of workstations available to 44 and service areas nominated staff to attend the office, by mutual agreement. This was either to undertake office-specific tasks such as processing the backlog of post, or to alleviate issues experienced by the member of staff during lock down such as social isolation or an inappropriate working environment. We had also implemented social distancing measures in all communal areas such as reducing capacities in meeting rooms and The Hub, implementing a one-way system with clear signage and providing hand washing facilities and sanitisers throughout.

We have a good working relationship with the building landlord at City Reach who has implemented social distancing measures in all common parts and modified the VAV air Page | 3

conditioning system by switching off the recirculation dampers and increasing to 100% fresh air intake. After an initial soft launch attendance at City Reach has climbed to an average of around 12 per day.

Work is underway to implement similar social distancing measures at all other THH-managed sites and where we have air conditioning installed our HVAC contractor is undertaking a risk assessment and remedial works in line with the government's Covid-secure guidance. As we complete these works and reopen other offices, we hope to encourage more colleagues to return to the offices and start delivering a wider range of services in new ways.

5.2 Rushmead

Until the 20th March 2020 THH provided a face to face counter service for tenants and leaseholders from Rushmead, a Council owned premises. LBTH closed the building in March due to the coronavirus pandemic. This meant that THH was offering service only via the telephone or online. An exit survey from Rushmead was conducted in November 2019 and the results suggested that we should continue to provide a limited face to face service for those residents who required it.

The Council have offered THH the building to manage so that we can restart this service. THH would take on both floors of the building, the ground floor would be for the counter service. This will need to be adapted to comply with the government's social distancing guidelines. The seating area and general space would need adaptation and signage. Current plans are to open three days a week Monday - Wednesday.

We are currently evaluating the costs and benefits and if these prove viable we will take over management of the building from the 1st of September.

6. Management Agreement and Memorandum and Articles of Association

As you will recall from the Board Discussion on the 22nd of July the Board approved a series of recommended changes to the final draft of the Management Agreement proposed by our solicitors Trowers. I am please to say that all five of these suggested amendments were agreed in full by the Council. The Management Agreement between THH and the Council is therefore now agreed and this will go for ratification to the relevant LBTH Directors during August.

The Chair of the Board also proposed some changes to the Memorandum and Articles of Association to run alongside the process of amending the Management Agreement. These were:

1. Explicitly enabling virtual Board meetings;
2. Significantly simplifying the appointment of Independent and Resident Board Members (removing the requirement for Mayoral approval); and
3. Introducing fixed terms of appointment for Independent & Resident Board Members (as will be expected by the Regulator).

Unfortunately, the Council raised some legal concerns on any proposed changes to the Mem and Arts. We will seek alternative advice on this from Trowers and revert to the Board when this is received.

7. Performance to June 2020

7.1 Performance Report

There are 45 indicators in the 2020-21 Board performance suite. A revised set of 22 Business Critical Indicators [BCIs] was agreed by the Client in April 2020 comprising: 10 monthly, 9 quarterly and 3 annual measures. Three indicators previously reported at Board-level have been added to the monthly BCI suite. These are: *Repairs completed right first time*; *Complaints responded to in target*; and *Complaints escalation*. The BCIs are supplemented by 22 measures reported at Board level only.

There are a number of gaps due to satisfaction surveys being suspended from April, and changing indicator definitions which have not yet been agreed.

By agreement with the Client, targets have not yet been set for the 2020-21 BCIs as the impact of the pandemic on service delivery was unknown. Performance is therefore shown here compared to the 2019-20 out-turn.

7.2. Performance Summary June 2020

THH performance to June 2020 is set out in Appendix 1. Results are available for 14 of the 17 monthly indicators and 14 of the 28 quarterly measures.

Of these, 14 show a reduced performance compared to the 2019-20 out-turn.

7.3. Key operations

The following areas are most immediately impacted by COVID-19:

- Rents;
- Service charges;
- ASB;
- Voids;
- Gas safety

Commentary on the steps being taken to recover/preserve performance is set out below:

7.4 Rents

As a result of job losses, budgeting issues arising from income reductions, school age children and those in further and higher education being at home and new claimants accessing welfare benefits, rent arrears have increased significantly since lockdown. Rent arrears at the end of March 2020 stood at £3.48m. At the end of May 2020 this was £4.03m, an increase of over £545,000. Arrears were £3.99m at the end of June (5.5% of the rent roll).

We continue to offer a range of support to tenants to prevent the build-up of unmanageable rent arrears. Since lockdown Rents and Financial Inclusion Officers have been taking calls from concerned residents and making calls to tenants with rent arrears to: gain an understanding of their financial circumstances; check welfare and benefits entitlement; offer support and make referrals; and agree affordable repayment arrangements. The Rents Team is also in regular contact with the DWP to ensure Universal Credit payments and advance payment requests are being met promptly. We have also updated the THH website, launched a social media campaign, reinstated the automatic arrears escalation and

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sent a letter to all tenants in arrears urging them to contact us for assistance. To try and minimise additional rent arrears a postcard has also been sent to all tenants containing key reminders:

- there is no 'rent holiday'
- help and support is available from THH and partners during this difficult time
- rent payment options and how to get financial and welfare advice

Where legal recovery action will be necessary, cases are being reviewed to commence issuing possession notices, ensuring support has been offered and provided to residents who engage. Referrals for specialist independent advice will be arranged and entitlements to Universal Credit/welfare benefits and support with housing costs will be explored before action is taken to issue notices. The Pre-action Court protocol is more important than ever. Each case will be reviewed individually and discussed with the tenant where possible.

Possession proceedings can now only start when tenants have been given three months' notice. Generally, this will be effective from the first Monday after 30 September 2020 (5 October 2020). Exceptions to this will be Notices served before 26 March 2020. In preparation for the lifting of the stay for possession claims, the Rents team is working with Legal Services who will start preparing cases, where they already have received instructions, that will need to be followed up in the courts which are currently scheduled to resume on the 23 August 2020.

The backlog of cases for legal recovery action through the courts will have an impact on performance as hearings at the County Court will be limited and they will be restricted in meeting the demand of all housing organisations and landlords needing to deal with court actions.

7.5 Service charges

Collection is down on last year but July's income is holding up reasonably well. Our 'C-19' arrears letters (c. 5,000) will be going out in batches during August. These are softer in tone than our usual letters and do not mention being referred to our external solicitor. Until the Courts are back fully functioning our capacity for action is limited. It is also the case that when we are able to refer cases, there will be 'capacity' issues given the number of likely referrals, as these will also include major works and the Court will be under pressure from backlogs. We will however, plan accordingly for the return of formal legal action. We will also be meeting with LBTH during August to review the position and assess targets.

In terms of profile, all income looks like:

April: £3.3m

May: £872k

June: £1.4m

July: £1.3m (to 28th July)

So as shown above, July has been holding up reasonably well, with no adverse trend yet appearing.

7.6 ASB

The ASB team has been operating as normal since the start of lockdown with the exception of home visits, and most court hearings. Interviews with victims and statements have been managed via email and telephone rather than face-to-face. Where this has not been practicably possible Parkguard or the THH Police teams have attended the victim's home. Likewise, the enforcement of court orders against perpetrators of ASB has only been undertaken for the more serious breaches. Parkguard Officers have conducted vulnerable person visits throughout the lockdown period, checking welfare, signposting to support and updating contact details.

The THH-funded Police and Parkguard teams were tasked to maintain a high visibility presence across all estates during the height of the lockdown to increase resident confidence. Words of advice in respect of the risks of contracting the virus were given and groups dispersed with enforcement used only as a last resort. Going forward normal intelligence-based tasking and enforcement has now resumed. Broadly speaking the patrol teams report that residents were compliant with COVID-19 regulations however groups gathering were more conspicuous which accounts for a 128% rise in the number of stop and searches and a 37% increase in the number of ASB Warnings issued by police teams.

In accordance with the Coronavirus Act 2020 all possession claims were suspended until September 2020. All applications for injunctions listed for hearing were suspended. The Courts advised that only the most serious and urgent cases would be heard virtually rather than in person. That said, the ASB team were able to obtain 8 injunctions and 4 premises closure orders during this period due to the serious nature of the cases and the need to put protection in place to prevent further harm to residents and the community.

Simultaneously ASB Officers are compiling evidence to support enforcement action against the top ten nominals who persistently engage in ASB and vandalism in and around THH blocks. The action is being co-ordinated with the Substance Misuse team at LBTH to ensure that Positive Requirements as ordered by the Courts are complied with as a longer term solution to drug related ASB.

The extension of the policing and Parkguard teams for a further three years from September 2020 was agreed at the June Cabinet meeting as well as the charging of our residents for this service. The Mayor's Office for Policing and Crime (MOPAC) has confirmed receipt of the Letter of Intent from LBTH to continue with the policing teams under a new s92 agreement from September 2020 with MOPAC currently progressing this request through their internal governance process.

7.7 Voids

MHCLG has guided local authorities and housing associations to only let properties if deemed "essential". Essential circumstances include supporting a victim of domestic abuse or facilitating a move on from temporary accommodation, preventing severe overcrowding, discharge from hospital, and supporting those living in unsafe accommodation which poses a risk to their health. This was very much in line with the approach we had agreed with the Council since 31 March 2020. Emergency rehousing continued throughout the lockdown period and void properties were used: by the Housing Options Team to rehouse homeless applicants; for emergency rehousing if residents are unable to stay in the property following a flood for example and following the fire at Hadleigh House.

The above guidance was withdrawn on 13 May and new guidance published on the same day guiding social landlords to make arrangements to resume all long-term lettings in line with the government's advice on social distancing in the workplace including:

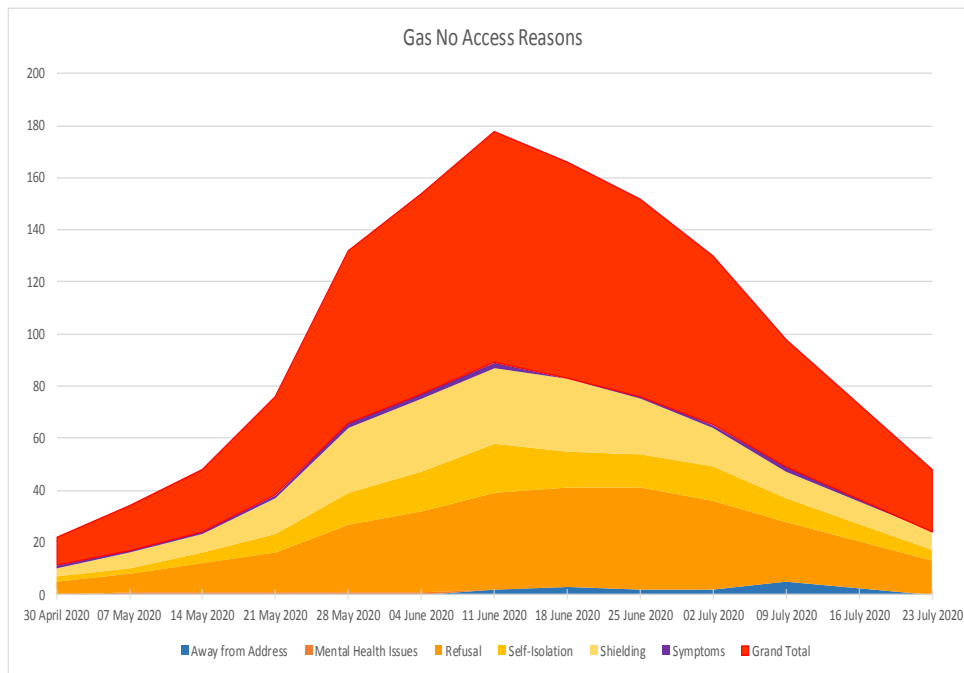
- property inspections for vacating tenants
- collecting returned keys
- conducting viewings
- conducting tenancy sign-ups
- preparing homes to be re-let

In preparation for the Voids team to resume viewings and lettings we have reviewed risk assessments and implemented changes introducing additional safety measures and social distancing for staff and residents. Letters to applicants have also been updated to include essential information such as: only applicants can attend viewings; asking if applicants are shielding; showing any symptoms (including other household members) of coronavirus or self-isolating.

All aspects of viewings and sign up resumed on 20 July. As viewings are now being conducted after all void repair works have been completed, this could potentially increase void turnaround time. At the end of June, the average re-let time for one short term void was seven days and 21 days for seven long term voids.

7.8 Gas safety

It has been challenging to manage gas compliance during the lockdown period whilst following government guidance. At the end of June compliance was 99.31% with 65 properties non-compliant. The graph below shows the reasons for non-compliance over time:



The graph shows the main drivers for non-compliance were Covid-19 related factors, (Self Isolation or Shielding), combined with some residents refusing access due to fear around potential infection. This graph reflects the trend within the Government statistics recording the infections within the UK and there is a direct correlation to the messages issued around social distancing.

Whilst concern around potential infection remains, growing public confidence in a return to normality has allowed us to gain access to our residents' homes and start to bring gas compliance back on track.

In-month figures show performance on inspections carried out compared to the programme improved from 89.3% in May to 95.5% in June. The gas team is actively engaged with residents to gain safe access to their properties to bring compliance back to 100%.

Recovery actions being taken include:

- Ringing residents and ensuring all appointments are booked
- Ensuring assurance to residents around safe working has been provided.
- Ensuring the use of PPE and strict adherence to the government issued advice around working in people's homes

Together these measures have provided tangible improvements in the compliance figures – the most recently reported overall compliance figure is 99.68% [17 July 2020] - and we anticipate being back to 100% compliance in the coming weeks.



June 2020

Appendix 1

Tower Hamlets Homes Key Monthly Performance Indicators

Year to date performance: June 2020	

KPI Name	YTD	TREND ¹	PREVIOUS YEAR					
			YTD Jun 2019	Year on Year Trend	Out-turn 19/20	Trend: YTD Against Out-turn	TARGET 19/20	
No. Customers								
1 % of calls answered	96.4%	▼	94.5%	▲	87.6%	▲	92.0%	
2 % of Complaints responded to in target STAGE 1 ONLY BCI	96.4%	▲	95.6%	▲	95.7%	▲	95.0%	
3 Complaints Escalation: % of Complaints Upheld at Stage 2 BCI	6.9%	▲	7.1%	▲	6.5%	▼	10.0%	
Homes & Neighbourhoods								
4 Repairs: Appointments kept			93.3%		94.0%		95.0%	
5 % of properties with a current gas safety certificate BCI	99.3%	▲	100.00%	▼	100%	▼	100%	
6 Repairs: Emergency repairs in target	98.5%	▲	98.7%	▼	98.3%	▲	98.5%	
7 Repairs: Non-emergency repairs in target	98.9%	▼	99.2%	▼	98.0%	▲	98.5%	
8 % of repairs completed right first time BCI			79.8%		80.8%		83.0%	
9 % of tenants rating the repairs service as excellent, good or fair BCI			90.7%		87.8%		92.0%	
10 Unauthorised Occupancy: Homes Recovered	5	◀▶	12	▼	56		55	
Organisational								
11 Average time to relet empty homes - Short term (days) BCI	3.5		23	▲	21	▲	22	
12 Average time to relet empty homes - Long term (days) BCI	21.0		41	▲	40	▲	35	
13 % rent collected (of rent due) BCI	100.1%	▲	101.0%	▼	101.3%	▼	99.5%	
14 Current arrears as % of rent roll	5.5%	▲	4.7%	▼	4.6%	▼	5.3%	
15 % of Members' Enquiries responded to in target	84.9%	▼	90.8%	▼	91.0%	▼	90.0%	
16 Service charge collected BCI	90.1%	▲	104.7%	▼	101.2%	▼	100%	
17 Major works charge collected BCI	60.7%	▼	153.6%	▼	126.8%	▼	100%	

Notes
¹ TREND: Compared to previous month



Business Critical Indicators & Key Service Indicators
QUARTERLY INDICATORS

June 2020

		YTD	TREND ¹	PREVIOUS YEAR		
				Out-turn 19/20	Trend: YTD Against Out-turn	TARGET 19/20
Customers						
1	Percentage of residents rating the HSC as excellent, good, or fair			92.8%		92.0%
2	Percentage of residents agreeing with the statement 'THH does what it says it will do'			78.7%		82.0%
3	Overall Satisfaction: Tenants			89.1%		89.0%
4	Overall Satisfaction: Leaseholders			71.9%		73.0%
5	No. of MyTHH Registrations	6,371		5,860	▲	5,000
6	No. of unique MyTHH visits as a % of residents registered	48.0%		40.1%	▲	50.0%
7	Reduction in the number of telephone calls about parking	0				
Homes & Neighbourhoods						
8	Satisfaction With Caretaking			88.1%		86.0%
8a	Satisfaction With Caretaking : Tenants			89.4%		89.0%
8b	Satisfaction With Caretaking : Leaseholders			85.3%		79.0%
9	% of residents satisfied with the service provided by the caretaker			92.9%		92.0%
10	% of residents satisfied with the neighbourhood			84.5%		88.0%
11	ASB: % of cases successfully resolved	97.2%		98.5%	▼	95.0%
12	ASB: % of residents satisfied with handling of ASB			53.6%		55.0%
13	Reduction in the number of telephone calls about repairs	23,631		97.2%	▲	
14	% of communal repairs completed right first time	79.5%		87.1%	▼	80.0%
15	% of Overdue Outstanding repairs NEW	15.5%				NEW
16	Major Works Programme Delivery	46.5%		99.3%	▼	86.0%
17	Major Works Invoices Issued	0		87.4%	▼	127
18	Percentage of residents rating capital works as excellent, good or fair	66.7%		92.8%	▼	80.0%
19a	Reduction of High-rise blocks with Substantial Fire Risk to Tolerable NEW					NEW
19b	Reduction of blocks with Moderate Fire Risk to Tolerable NEW					NEW
20	% of eligible blocks with an up to date Fire Risk Assessment in place			100%		100%
21	% of contractor schemes subject to additional health & safety monitoring			33.3%		10.0%
Organisational						
22	Void Rent Loss as % of Rent Due	0.66%		0.48%	▼	0.40%
23	% of managers trained in health & safety			74.7%		100%
24	People Strategy: Staff positively rating "Residents are at the heart of what we do"			90.3%		90.0%
25	Average Days Staff Sickness	4.0		10.6	▲	8
26	% of Agency Staff	13.6%		17.0%	▲	15.0%
27	Staff Turnover	1.1%		9.3%	▲	10.0%

¹ TREND: Compared to previous quarter

<p style="text-align: center;">Board of Directors</p> <p style="text-align: center;">12th August 2020</p>	
<p>Report Authorised by: Neil Isaac, Director of Finance</p> <p>Report Author: Adam Coates, Head of Finance</p>	<p>Report type: For Information</p>
<p>Title: 2019-20 Out-turn headline report</p>	

1.0 Introduction

- 1.1 This report sets out the high level position for the 2019/20 management accounts for THH.
- 1.2 The report highlights the key headline variances (>£100k for revenue budgets) that may be of interest to Board.

2.0 Recommendations

- 2.1 That Board note the highlighted out-turn variances, and those areas where there has been significant movement from P11 projections to the final out-turn position.

3.0 Significant Out-turn Variances

Company Budgets

- 3.1 The overall company out-turn position is that of a £365k surplus compared to budget. This is broadly consistent with the position that had been reported in P11.
- 3.2 The out-turn position for Neighbourhoods is a £344k underspend. This is broadly consistent with the projections at P11. The main elements contributing to this are underspends in Leasehold Services and in Central Rent Management, off-setting an overspend in Environmental Services.
- 3.3 Business Transformation Directorate out-turn is a £227k overspend position. We had always been reporting an overspend within this directorate, linked to one-off costs associated with office accommodation, however, we had previously projected that underspends elsewhere in the directorate should off-set the bulk of

this. The final out-turn position has shown that not all of these projected underspends have materialised.

- 3.4 The out-turn position for the Asset Management Directorate is £157k underspend. The main area contributing to this is a £200k underspend within the Capital Programme Manager section, consistent with reporting earlier in the year.
- 3.5 The THH Contingency budget has not been used this year. We had been holding this in reserve throughout the year because there were a number of areas that management have been concerned about. Previously we have used some of the contingency budget to fund the overspends in legal SLAs, for example, but this year we have simply absorbed this within Directorates including Finance.

Delegated Budgets

- 3.6 Overall we are reporting a £3.2m underspend in Delegated HRA budgets. Again, this is broadly consistent with the position that has been reported during the year.
- 3.7 We have seen a £276k underspend in R&M budgets in 2019/20. This position is a combination of many variances within the overall repairs budgets. The most significant variance within R&M is a £337k underspend on responsive repairs to lifts. This has been partially offset by overspends elsewhere within the R&M budgets.
- 3.8 We have seen a £104k overspend on Concierge budgets. This is very close to the position that we have been projecting during the year.
- 3.9 Overall, dwelling rents and tenant service charge budgets have resulted in a favourable variance of £2.135m. Throughout the year we have been projecting a significant favourable variance in this area, which is a combination of consistently stronger performance on void rates, coupled with a lower level of activity on RTB completions than were factored into budgets for the year.
- 3.10 We have also seen a favourable income variance on leasehold service charges income of £1.3m. This is consistent with what has previously been reported.
- 3.11 Water Rates income is an activity that has now ceased due to the termination of the agreement with Thames Water. This activity ceased during the financial year.
- 3.12 There is a significant adverse variance in leasehold admin charges. This budget is linked to RTB activity, and as described in 3.9, this has significantly dropped during 2019/20, and as such, the associated admin fee has dropped. This, again, is consistent with what has been reported throughout the financial year.

Capital Budgets

- 3.13 The overall position for 2019/20 shows an out-turn of £25.6m. Projections for capital out-turn have varied over the year but have generally been in the region of £23-28m since monitoring has been undertaken (P3 for capital).
- 3.14 The fact that capital projections have been relatively consistent in recent months means that the variance reasons are relatively well-rehearsed.

4.0 Significant movement between P11 forecast and Out-turn position

Company Budgets

- 4.1 There has not been significant movement overall on Company budgets from P11 to out-turn (less than £100k), but at a Directorate level, there have been a number of movements to note.
- 4.2 The out-turn position in the Business Transformation Directorate was £192k higher than had been projected in P11. This is the result of a number of movements, the most significant being a £105k increase in the overall costs of HSC, along with a £75k increase in the costs of the ICT, Risk and Contract Governance team.
- 4.3 The out-turn position in Asset Management Directorate was £114k higher than had been projected at P11. This is a combination of two areas, Repairs management (£37k) and Capital Programme Manager (£57k).
- 4.4 The increase from P11 to out-turn for the Finance Directorate was £115k. This is a result of the extra charges on the Legal SLA. These charges came through late in the year, and rather than in other years where these might have been charged to the contingency budget, we have simply reflected the cost within Finance.

Delegated Budgets

- 4.5 Although still within budget there has been a significant movement on R&M between P11 projections and out-turn (£673k). The reasons for this are still being investigated, but are in part due to fire related communal repairs and higher void reservicing costs at the end of the year.
- 4.6 The Water Rates arrangement ended during 2019/20. Costs have been static since the end of this arrangement, however, a large level of costs were transferred to this cost centre in early June. Supporting information has been requested from LBTH on this, as this was something decided and processed by them.

- 4.7 There was a movement of £390k in delegated income budgets. This equates to a 0.5% movement compared to budget. The outturn for both delegated and core budgets are appended to this report.

5.0 2020/2021 Budget Monitoring

- 5.1 The 2020/21 budgets were set ensuring that the savings targets were included. The two significant savings were £440k within Delegated expenditure for R&M, allowing us to contain contractual inflationary growth, and a £700k increase in income, reflecting the consistent over-performance on void rent loss.
- 5.2 Whilst it is very early in the financial year to report with any certainty on these areas it is looking positive, a far greater financial challenge faces us. The Covid pandemic is going to have a significant impact on this year's budgets, and in all probability, in years to come.
- 5.3 The monthly submissions to MHCLG have highlighted some of our concerns in dealing with Covid and the various measures that have been put in place. It should be noted that these returns are based on a worst-case scenario, and work is being undertaken to mitigate the potential impact being presented in those. However, there are likely to be significant pressures on HRA budgets in 2020/21.
- 5.4 THH have seen rent arrears increase in the first months of 2020/21 and with the ongoing impact of Covid in the wider economy; it seems prudent to expect this to remain the pattern for the year. A 5% reduction in income collection activity in the HRA will cost the HRA in the region of £5m.
- 5.5 The returns have also included an assumption that we will see an increase in the cost of works on capital schemes. As mentioned work is being done to minimise this, and it is felt that the figures included in those returns is very much a worst case scenario, however, there will be a cost.
- 5.6 Front-line service delivery has had to change during this time, we have seen a significant increase in PPE costs, we estimate this to be in the region of £125k.
- 5.7 The physical impact of the virus has also hit our front-line services, particularly those in our estate services, such as caretaking and grounds maintenance. Significant levels of sickness absence due to the virus have seen an increase in agency costs (approximately £130k) to ensure the services are covered.
- 5.8 As reported via the Board updates THH have submitted an initial furlough claim through the HMRC portal. This has been accepted by HMRC and has returned £130k of costs that we have incurred during

the period March to May 2020. We have also submitted a claim for June to cover the decreasing number of staff who remain off work either sick or because they are shielding.

- 5.9 The overall impact of this on the HRA will need to be considered in future reviews of the HRA Business Plan.
- 5.10 The core budget position for the current year is showing a modest projected surplus at this early stage of the year of £0.5m.

APPENDIX 1

COMPANY MANAGEMENT ACCOUNTS		OUTTURN			
DESCRIPTION	2019/20 BUDGET	2019/20 OUTTURN	OUTTURN VARIANCE	FORECAST VARIANCE	FORECAST VARIANCE
	£000	£000	£000	£000	£000
Income					
Management Fee (inc Uplift)	-31,715	-31,715	-	-31,715	-
Rechargeable Salaries & other Costs	-4,391	-3,864	527	-4,047	344
Other Income (Adecco Rebate)	-100	-231	-131	-225	-125
Interest	-25	-33	-8	-30	-5
Transfer from Reserves		-463	-463	-466	-466
Emergency Work Funded - LBTH		-234	-234	-228	-228
Total Income	-36,231	-36,541	-309	-36,711	-480
Neighbourhoods	16,218	15,874	-344	15,815	-403
Business Transformation	9,744	9,971	227	9,780	35
Asset Mgmt	7,230	7,075	-154	6,961	-268
Finance	2,243	2,339	96	2,224	-19
Contingency	477	-2	-480	475	-2
CEO Office	320	222	-98	311	-9
Cost of Service	36,231	35,478	-753	35,566	-666
<i>Funded from Reserves</i>					
Digital Solutions		463	463	466	466
Sub Total: Reserves Funding		463	463	466	466
<i>Subject to LBTH Funding</i>					
Emergency Work Funded - LBTH		234	234	228	228
Sub Total: LBTH Funding		234	234	228	228
Net Cost of Service		-365	-365	-451	-451

APPENDIX 2

COMPANY MANAGEMENT ACCOUNTS		OUTTURN			
DESCRIPTION	2019/20 BUDGET	2019/20 OUTTURN	OUTTURN VARIANCE	FORECAST £000	FORECAST VARIANCE £000
Income		£000	£000	£000	£000
Management Fee (inc Uplift)	-31,715	-31,715	-	-31,715	-
Rechargeable Salaries & other Costs	-4,391	-3,864	527	-4,047	344
Other Income (Adecco Rebate)	-100	-231	-131	-225	-125
Interest	-25	-33	-8	-30	-5
Transfer from Reserves	-	-463	-463	-466	-466
Emergency Work Funded - LBTH		-234	-234	-228	-228
Total Income	-36,231	-36,541	-309	-36,711	-480
Employee Costs	25,665	25,201	-464	24,803	-862
SLA	4,756	4,968	212	4,749	-7
Supplies & Services	3,283	2,885	-398	3,043	-241
Property Costs	1,558	2,027	468	1,931	373
Contingency	477	3	-474	475	-2
Third Party Payments	282	99	-183	239	-43
Transport Costs	184	144	-40	166	-18
Depreciation	25	152	127	159	134
Cost of Service	36,231	35,478	-753	35,566	-666
<i>Funded from Reserves</i>					
Digital Solutions		463	463	466	466
Sub Total: Reserves Funding		463	463	466	466
<i>Subject to LBTH Funding</i>					
Emergency Work Funded - LBTH		234	234	228	228
Sub Total: LBTH Funding		234	234	228	228
Net Cost of Service		-365	-365	-451	-451

APPENDIX 3

DELEGATED REVENUE BUDGETS 2019/20

DESCRIPTION	2019/20 BUDGET	2019/20 OUTTURN	OUTTURN VARIANCE	2019/20 FORECAST	OUTTURN v FORECAST VARIANCE
	£000	£000	£000	£000	£000
R&M	16,078	15,809	-268	15,136	673
Communal Energy	3,550	3,369	-181	3,550	-181
Building Insurance	3,400	3,487	87	3,400	87
Water Rates - Costs	2,797	2,833	36	2,251	582
Dame Colett & Poplar Baths	1,428	1,490	62	1,428	62
TMO Allowances	900	811	-89	862	-51
Mayoral Bid - ASB	836	829	-7	830	-1
Cleaning Materials	540	592	52	568	24
Community Investment	500	434	-66	500	-66
Concierge	430	534	104	521	13
Estate Parking	410	351	-59	348	3
Rents Rates & Taxes	275	186	-89	186	-0
Service Charge Payments	230	230	-0	230	-0
Rent Payments	65	-1	-66	25	-26
Neighbourhood Action	50	63	13	50	13
ASB	40	10	-30	14	-4
EXPENDITURE	31,529	31,028	-501	29,898	1,129
Dwelling Rents	-62,800	-64,763	-1,963	-64,430	-332
Leasehold - Service Charges	-15,500	-16,815	-1,315	-16,750	-65
Tenant Service Charge	-7,348	-7,520	-172	-7,461	-58
Water Rates - Income	-2,539	-2,350	189	-2,539	189
Garage Rents	-1,385	-1,339	46	-1,340	2
Leasehold - Admin Charges	-520	-97	423	-105	8
Major Works	-550	-594	-44	-600	6
Water Commision	-409	-411	-2	-411	0
Estate Parking	-100	-176	-76	-195	19
CDM Fees	-3	0	3	-	0
Mortgage Interest	-1	-	1	-	-
INCOME	-91,155	-94,064	-2,909	-93,832	-232
GRAND TOTAL	-59,626	-63,036	-3,410	-63,934	898