

MAYOR'S EXECUTIVE DECISION MAKING

Thursday, 24 September 2015

Mayor's Decision Log No. 113


1. **LBTH/GLA CONTRACT FOR THE £13.27M DECENT HOMES
ADDITIONAL BACKLOG FUNDING (Pages 1 - 10)**

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Agenda Item 1

Individual Mayoral Decision Proforma Decision Log No: <u>113</u>	 TOWER HAMLETS
Report of: Aman Dalvi (Corporate Director Development & Renewal)	Classification: Unrestricted
LBTH/GLA Contract for £13.27m Decent Homes Additional Backlog Funding	

Is this a Key Decision?	No
Decision Notice Publication Date:	N/A
General Exception or Urgency Notice published?	Not required
Restrictions:	No Restriction

1. **EXECUTIVE SUMMARY**

- 1.1 On the 11th August 2014 the Mayor of London launched the 2015/16 Decent Homes Backlog Fund programme for local authority landlords. In September 2014, the Council bid for £23.25m and was successful in securing £13.27 million of GLA funding in order to bring the percentage of its non-decent stock down to 10%.
- 1.2 Under the conditions of the GLA grant, the Council is obliged to make 917 homes decent in 2015/16. The programme has already commenced and the relevant Q1 spend and decency outturn has been reported to the GLA. As the GLA reimburses authorities for the relevant expenditure, the Council will need

2. **DECISION**

- 2.1 The Mayor is recommended to appoint:

Agree that the Council enter into contract with the GLA for the £13.27m Decent Homes additional Backlog Funding. The reasons are set out in the attached report appended as Appendix A

APPROVALS

1. (If applicable) Corporate Director proposing the decision or his/her deputy

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

Signed *A. Sale* Date *15/9/15*

2. Chief Finance Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

Signed *B. Scurr* Date *18/9/15*

3. Monitoring Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

(For Key Decision only – delete as applicable)

I confirm that this decision:-

(a) has been published in advance on the Council's Forward Plan OR

~~(b) is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.~~

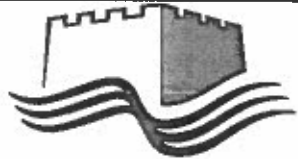
Signed *M. S. Clay* Date *24/9/15*

4. Mayor

I agree the decision proposed in paragraph above for the reasons set out in paragraph X in the attached report.

Signed *[Signature]* Date *24/9/15*

Appendix A

Individual Mayoral Decision 30 th September 2015	 TOWER HAMLETS
Report of: Aman Dalvi	Classification: [Unrestricted]
LBTH/GLA Contract for £13.27m Decent Homes Additional Backlog Funding	

Lead Member	Councillor Sirajul Islam, Deputy Mayor and Cabinet Member for ALMO & Housing Partnerships
Originating Officer(s)	Jackie Odunoye Service Head Strategy Regeneration & Sustainability
Wards affected	All wards
Key Decision?	Yes
Community Plan Theme	Great Place to Live

Executive Summary

The Department for Communities and Local Government (DCLG) established that even after the enormous investment under the initial Decent Homes (DH) backlog funding and the resultant programmes, London still had eleven of the twelve local authorities in the country where more than ten per cent of homes do not meet the Decent Homes standard.

Consequently, on the 11th August 2014 the Mayor of London launched the 2015/16 Decent Homes Backlog Fund programme for local authority landlords. In September 2014, the Council bid for £23.25m and was successful in securing £13.27 million of GLA funding in order to bring the percentage of its non Decent stock down to 10%. This report seeks Mayoral approval for the Council to enter into contract with the GLA in respect of the additional £13.27million secured for the additional backlog programme.

Recommendations:

The Mayor is recommended to:

1. Agree that the Council enter into contract with the GLA for the £13.27m Decent Homes additional Backlog Funding.

1. REASONS FOR THE DECISIONS

- 1.1 Capital estimates of £181.37 million were adopted by Cabinet in 2013 to fund the Decent Homes (DH) programme from 2011/12 to 2014/15 (now extended to 2015/16.) This was financed by £94.50 million of Decent Homes grant funding from the GLA, with the rest made up of a mixture of HRA balances, specific capital resources set aside, and leaseholder contributions, with HRA borrowing being the last resort if necessary. The new £13.27 million grant reduces the reliance on these other HRA capital resources. and increases the grant funding for the DH programme
- 1.2 The additional grant funding of £13.27 million was awarded in accordance with the national programme, whose objective was to reduce the level of non-decent backlog stock down to 10% by the end of the backlog programme. The Council's GLA funded backlog programme concludes in 2015/16. As part of the grant funding conditions, leasehold works which are partly or wholly funded by the £13.27 million grant will be subject to a £15k cap in 2015/16, in terms of the amount that the Council can recover from leaseholders.
- 1.3 Under the conditions of the GLA grant, the Council is obliged to make 917 homes decent in 2015/16. The programme has already commenced and the relevant Q1 spend and decency outturn has been reported to the GLA. As the GLA reimburses authorities for the relevant expenditure, the Council will need to enter into contract urgently for the eligible spend of circa £2m in Q1 to be reimbursed.

2. ALTERNATIVE OPTIONS

- 2.1 There is no realistic alternative option. If the authority does not enter into contract with the GLA then the additional £13.27 million of grant funding will not be available to contribute towards the authority's ongoing programme.

3. DETAILS OF REPORT

- 3.1 Having commenced in 2011, the Council's Decent Homes programme is in its fifth year. The programme is funded both by GLA grant funding and Council resources. In 2011, the Council secured £94.5m from the GLA at the start of the programme to fund the Council's backlog non decent homes and to reduce this category of stock to 10%.
- 3.2 It was established by the DCLG and GLA that even after the significant investment under the initial DH backlog funding and the resultant programmes, London still had eleven of the twelve local authorities in the country where more than 10% of their homes do not meet the Decent Homes standard.

- 3.3 Consequently, on the 11th August 2014 the Mayor of London launched the 2015/16 Decent Homes Backlog Fund programme for local authority landlords. Stock owning LA landlords were invited to bid for grant to carry out eligible works to bring stock up to the decent home standard. Only homes that remained non-decent since the preceding years are defined as backlog and are therefore eligible for funding.
- 3.4 Up to £145m was made available to bring around 9,500 homes up to the Decent Homes Standard. The key aims of the funding were to upgrade stock, whilst improving environmental performance and to stimulate development. This funding put each eligible local authority landlord in a position to deal with the maintenance and repair of their stock independently from 2016/17.
- 3.5 Subsequently, in September 2014, the Council bid for £23.25m and secured £13.27 million of GLA funding. The council is obliged to make 917 homes decent under the contractual arrangement with GLA, and to reduce backlog non-decent homes to 10%.
- 3.6 The GLA placed a number of conditions on local authorities in the Backlog Additional Funding bidding process which included the submission of a retrofit statement and developing a Re: New Business Plan.
- 3.7 Additionally, GLA conditions state that recharges to resident leaseholders in respect of works wholly or partly funded by this grant are capped at £15,000. The GLA defined a resident leaseholder as a person who is the owner of a residential lease granted by the Council or the Council's predecessors in title for an initial term in excess of 90 years and who occupies that property as their only or principal home.
- 3.8 The Council will therefore not be able to recover the cost of works to leasehold properties where they are in excess of £15k. It was anticipated at the time of the bid that the net exposure to the Council relating to the leasehold cap was approximately £575,000.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report requests that the Mayor agree that the authority enter into contract with the Greater London Authority (GLA) in relation to an award of £13.27 million of 2015/16 Decent Homes grant funding.
- 4.2 On 8 May 2013, Cabinet increased the adopted capital estimate of £113.02 million for years 1 to 4 (2011-12 to 2014-15) of the Decent Homes Programme to £181.37 million for years 1 to 5 (2011-12 to 2015-16). In addition a separate estimate of £3.55 million was later approved for works to Malmesbury and Birchfield estates.
- 4.3 The capital estimate of £181.37 million was to be financed from £94.50 million of GLA Decent Homes grant funding, with the balance being resourced from a

mixture of HRA balances, specific capital resources set aside, leaseholder contributions, and with HRA borrowing being the last resort if necessary. The award of £13.27 million of additional grant funding reduces the reliance on these HRA capital resources, so the funding profile will be amended from:

Previous funding: GLA Grant of £94.50 million and Council HRA Resources of £86.87 million, to

Updated Funding: GLA Grant of £107.77 million and Council HRA Resources of £73.6 million

- 4.4 The additional grant funding of £13.27 million was awarded in accordance with the national programme objective of reducing the level of non-decent backlog stock down to 10%. The Council was however effectively already funding these works as part of the £181.37 million enhanced programme. Provided that the Council complies with the specific grant conditions i.e. in terms of the numbers of properties made decent, eligible expenditure, leaseholder capping, and undertakes works to Brodick House (a property that was specifically named in the Authority's bid), then the Council will be able to claim the grant.
- 4.5 As mentioned in paragraphs 3.7 & 3.8 the grant conditions state that resident leaseholders whose works are wholly or partly funded by the additional £13.27 million of grant must have their contribution capped at £15,000. The level of unrecoverable income was projected to be in the region of £575,000, however, this cost to the Authority must be seen in the light of the substantial amount of additional grant that the Authority has been awarded.
- 4.6 As part of the grant conditions the authority must make 917 properties decent so the Authority must manage the 2015/16 programme in order to maximise progress against the GLA's targets.

5. LEGAL COMMENTS

- 5.1 Tower Hamlets Homes Limited is a registered social landlord and must remain a registered social landlord by virtue of Sections 114 and 114A of the Housing and Regeneration Act 2008 and Sections 3 and 4 of the Housing and Regeneration Act 2008 (Registration of Local Authorities) Order 2010
- 5.2 The Council remains the owner of the properties and together the Council and Tower Hamlets Homes Limited provide social housing to its tenants.
- 5.3 In order to remain a registered social landlord as required by the above acts the Council and Tower Hamlets Homes must ensure that the properties comply with the registration standards set down by the HCA and for the purposes of standard of accommodation the HCA implement the Decent Homes Standard further described in the publication A Decent Home: Definition and Guidance for Implementation, published by the Department for Communities and Local Government in June 2006.

- 5.4 Therefore, in discharging its social housing function (albeit through the management of Tower Hamlets Homes Limited) the Council is legally required to maintain the homes in accordance with this Decency Standard
- 5.5 This grant is designed to assist the Council in meeting this legal requirement and therefore, by virtue of S.111 of the Local Government Act 1972 the Council has the power to enter into this agreement as it is an action "calculated to facilitate, or is conducive or incidental to, the discharge of any of [its] functions" – namely the discharge of its housing management and provision of social housing functions.
- 5.6 Article 13 of the Council's constitution determines the appropriate decision making processes. Where a decision is a key decision this may only be made by the relevant elected Mayor regardless of value. The decision to enter into this grant is a key decision on the grounds that entering into the agreement will subsequently result in the Council "incurring expenditure which is.....significant having regard to the local authority's budget for the service or function to which the decision relates" when the Council spends the grant on the relevant works.
- 5.7 The main risk to the Council is non-compliance with the grant terms which could potentially lead to the loss of some or all of the funding. However, the Council may well still be obligated to pay the contractor for any works under the Council's contract for the works. Therefore, in order to protect the Council adequately from this risk, the Council must ensure that the Contractor is aware of the stipulations of the grant terms and the Council must ensure that the construction contract adequately reflects the necessity to abide by the terms of the grant.
- 5.8 Receipt of the funds means that the funds become that of the Council. Therefore, the expenditure of any such funds is still subject to the Council's overall Best Value duty by virtue of Section 3 of the Local Government Act 1999. Also, unless the grant funding body has stipulated otherwise such expenditure should be made by the Council in accordance with its Procurement Procedures and where applicable the Public Contracts Regulations 2015.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 It is the Council's intention that over the course of the whole Decent Homes programme, every tenanted Council owned dwelling that does not meet the Decent Homes Standard will receive a new kitchen and bathroom. Residents have been consulted on their preferences for kitchens and bathrooms.
- 6.2 Achieving equality of opportunity is at the heart of the Council's housing capital programme. The DHs programme encompasses conducting extensive upgrades to residents properties including aids and adaptations to vulnerable

residents of our community as the Council seeks to provide suitable accommodation to all those in need.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The programme has been set over a three year duration following two previous years of data to allow for both streamlining from lessons learnt and joint working under a partnership contract. Consolidating the stated programme elements will enhance efficiency of works and therefore value for money. Additionally, quality will be strictly controlled, to minimise re-works by instituting a robust performance regime. Flexibilities in the contract will allow the client to reward good performance and conversely take measures against poor performance.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 A significant proportion of the Decent Homes programme consists of renewing outdated less efficient boilers with modern equivalents. In addition all schemes especially those involving roofs, windows, heating and insulation are developed to maximise energy efficiency. The additional capital programmes works proposed also contain significant sustainability measures such as Communal Heating works.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 **Leaseholder Recovery:** Leaseholders represent 40% of the total HRA stock, and where capital works are of an external or communal nature, leaseholders are required to contribute to their share of the costs. The Tower Hamlets 30 Year HRA Financial Model assumes full recovery of leaseholder major works. However, this assumed profiling means that a high level of leaseholder major works "forward funding" is required, and it is therefore crucial that leasehold major works debt is pursued in a robust manner, as failure to do so will result in a budget pressure within the HRA.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no specific Crime and Disorder reduction implications, however improving the condition of homes and buildings as a whole by working closely with ASB teams and local residents to develop schemes for e.g. door entry systems and environmental improvements like additional lighting will inevitable contribute to a reduction in crime and disorder.

11. SAFEGUARDING IMPLICATIONS

- 11.1 There are no specific safeguarding issues of direct impact.

Linked Reports, Appendices and Background Documents

Linked Report

None

Appendices

None

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

None

Officer contact details for documents:

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