

Committee/Meeting: Cabinet	Date: 8 th May 2013	Classification: Unrestricted	Report No: CAB 106/123
Report of: Corporate Director Development and Renewal Originating officer(s) Jackie Odunoye – Service Head Strategy, Sustainability & Regeneration, John Coker – Strategic Housing Manager, Development & Renewal		Title: Adoption of Housing Revenue Account Capital Estimates: Decent Homes Programme – 2013-14 to 2015-16 Mainstream HRA Programme – 2013-14 Wards Affected: All	
Lead Member		Housing and Development	
Community Plan Theme		A Great Place to Live	
Strategic Priority		Ensuring Value for money across the Council	

1. INTRODUCTION/SUMMARY

- 1.1 This report follows decisions of the Mayor in Cabinet on 9th January 2013 regarding procurement of the Decent Homes (DH) programme 2013-16. This report seeks Mayoral approval of the proposed DH programme as set out in Appendix 1, and the adoption of the remaining capital estimates outstanding on the DH programme.
- 1.2 This report also seeks Mayoral approval for the adoption of capital estimates in respect of the non-Decent Homes element of the capital programme 2013/14. Both these programmes will be delivered in conjunction with the council's ALMO, Tower Hamlets Homes.

2. FOR CABINET TO CONSIDER

The Mayor in Cabinet is asked to –

- 2.1 Agree the proposed works for the three year Decent Homes programme for 2013-14 to 2015-16.
- 2.2 Agree the proposed works for the 2013-14 non-Decent Homes programme, subject to satisfactory leaseholder consultation.

- 2.3 Adopt the reprofiled Capital Estimates for years 3, 4 and 5 of the Decent Homes Programme totalling £148.19 million, to bring the total Capital Estimate for the backlog and on-going Decent Homes programme to £181.37 million (paragraphs 5.1 to 5.5).
- 2.4 Adopt capital estimates for the Mainstream Capital Programme incorporating the schemes set out in Appendix 2, totalling £6,615,000, to be managed in accordance with resource availability under the HRA self-financing regime (paragraphs 5.6 to 5.12), and a contingency of £600,000 for urgent works (see paragraph 5.13).
- 2.5 Adopt a capital estimate of £500,000 to fund Overcrowding Reduction Initiatives as outlined in paragraph 5.14.
- 2.6 Adopt capital estimates for the Aids and Adaptations programme (£750,000), the Capitalisation of Voids (£1.5 million) and the Capitalisation of Fees and Salaries (£650,000) as outlined in paragraph 5.15.
- 2.7 Authorise the Assistant Chief Executive (Legal), to enter into all necessary documents to implement the decisions made in respect of this report.

3. REASONS FOR THE DECISIONS

- 3.1 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. This report seeks the adoption of the necessary capital estimates for various housing schemes in order that they can be progressed.
- 3.2 In July 2012 the Council entered into contract with the GLA for the DH Backlog funding. Under the Agreement the Council is contracted to deliver pre-agreed annual targets of DH in order to access the DH Backlog funding. The DH Contractor and Consultant procurement is critical to delivering the DH targets and securing the GLA funding.
- 3.3 Cabinet on the 9th January 2013 agreed, subject to the outcome of the Leaseholder consultation, the OJEU procured and leasehold compliant framework to deliver the DH capital investment for 2013/14/15. Therefore, it is vital that the programme is agreed to allow the appointed contractors to start on site.

4. ALTERNATIVE OPTIONS

- 4.1 In January 2013 Cabinet considered and agreed the procurement for delivery of the DH Programme in 2013-16 subject to the outcome of the Leaseholder consultation. Whilst the programme could be delivered in various ways, the proposed detailed delivery outlined seeks to maximise GLA delivery targets, value for money, strategic mobilisation across the borough, stock condition data, operational priorities and s20 consultation.

- 4.2 Any further changes to the proposal at this stage would significantly compromise the detailed maximisation of the programme as outlined above.
- 4.3 Schemes within the Housing Investment Programme are assessed by Tower Hamlets Homes in accordance with relative need, and are then prioritised. Although alternative schemes are feasible, the proposals in the report reflect the needs identified within the stock condition survey.

5. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME – 2013-14

Decent Homes Delivery

- 5.1 Cabinet in June 2011 agreed, for the longer term planning, to secure an OJEU procured and leasehold compliant framework to deliver the capital investment need in the future. This Cabinet approved Capital Estimates for the Decent Homes Programme totalling £42.02 million. This represented the first two years of the programme and although there was some slippage in 2012/13, the full grant conditions have been met and the DCLG grant entitlement totalling £23.5 million has been maximised for these years.
- 5.2 In September 2011, Cabinet approved a funding mechanism to earmark £149.49 million of resources for the funding of the initial backlog Decent Homes Programme over the four years from 2011-12 to 2014-15. This was predicated on the confirmation of the full Decent Homes Backlog Funding of £94.5 million being available by the DCLG – at that time only the funding for the first two years was guaranteed, totalling £23.5 million. The remainder of the grant of £71 million for 2013-14 and 2014-15 has now been confirmed, and further capital estimates to this value were adopted by Cabinet in January 2013, bringing the total Decent Homes Capital Approvals to £113.02 million.
- 5.3 Tenders were sought from contractors and consultants to deliver, manage and administer the years 3 4 and 5 decent homes works programme. Procurement was completed in accordance with statutory regulations that also included a rigorous tender evaluation process. This process was agreed by Cabinet in January 2013.
- 5.4 The programme outlined in Appendix 1 seeks to :-
- 5.4.1 Maximise GLA delivery targets
The GLA targets for homes made decent are 1,774 in 2013/14 and 3,109 in 2014/15 respectively, and it is critical that these targets are met in order to ensure funding for the scheme. The programme is structured in order to effectively “harvest” as many decent homes as possible in order to meet the GLA target.
- 5.4.2 Stock condition data
The stock condition report that informs the DH works was conducted in 2009, this data has regularly been updated as further works have continued across the borough. The on-going works have added critical updates in terms of

archetypes, age and related condition. The proposed programme uses that information to prioritise and programme DH works effectively.

5.4.3 Operational priorities

The Mayor has pledged to improve the condition of council housing across the borough and as a result significant funding has been identified to ensure Decency is fully met across the borough. These are additions to the GLA targets and are programmed to maximise value for money across the works. They are also linked to maximise works across associated capital programme works such as Door Entry programmes.

5.4.4 Strategic mobilisation of works across the borough

In order to ensure the works are carried out in the most cost effective and efficient manner, it is important that the selected contractors are mobilised efficiently. This informs how the work is programmed, location of site huts, materials storage etc. These elements have been factored into the resulting programme proposal.

5.4.5 Section 20 Leaseholder consultation.

It is vital that leasehold consultation is conducted properly in this programme, and whilst the initial consultation has been completed, the programme has been developed to ensure that there is adequate time for any further s20 consultation requirements.

5.4.6 Value for money

This is a requirement for any council programme, and the proposed works seek to maximise value for money across all the DH elements.

5.5 In addition to the backlog works, the programme has now been updated to incorporate the properties that have fallen out of decency over the four years since the initial backlog grant application was submitted. In order that the full programme to the end of 2015-16 can now be procured following the Cabinet decision of January 2013, further capital estimates are required to bring the total capital estimates to £181.37 million. These estimates incorporate the resources of £149.49 set aside by Cabinet in September 2011 to finance the indicative backlog programme (see paragraph 5.2 above), plus the on-going decent homes need that was included within the overall HRA capital budget provision that was approved by Cabinet in February 2013.

Mainstream HRA Capital Programme

5.6 This report is also seeking the adoption of capital estimates for various non-Decent Homes related elements of the capital programme; those elements of the Housing Investment Programme that are managed by Tower Hamlets Homes, as well as certain funding regimes that are administered by the Council.

5.7 The Council's Housing Strategy includes the following objectives:

- Delivering and maintaining decent homes
- Place making and sustainable communities

- Managing demand, reducing overcrowding
- New housing supply

The investment programme addresses these aims where appropriate.

- 5.8 The capital programme is informed by the latest stock condition survey and resident priorities, and agreed in detail for the financial year, with new schemes added to the programme as appropriate to ensure it continues to roll forward effectively and informs the investment planning process for future years. The development of the 2013/14 programme marks a significant step forward.
- 5.9 THH has developed an effective asset component prioritisation matrix which allows for detailed prioritisation on a block by block basis. This allows a more effective comparison across asset components and the ability to report which are the most in need of investment.
- 5.10 The programme is fully integrated into the DH programme. The implications of this are:
1. Door entry renewal is included if external DH works are touching balcony concrete repairs and cabling and require the renewal of the 25 year old system, the importance of linking these works was learnt from the DH pilot programme. It must be noted however that there are upwards of £10m worth of 'red' door entry systems (over 25 years old) that will need repair over the coming years.
 2. Communal heating works relate to boiler houses (and hence are separate to DH externals). Where high priority internal pipe work schemes are required, they are wrapped up in year 3 DH (and hence not on this schedule).
 3. There is some provision (£150,000) for investment in non-residential assets. This follows on from a modest pilot for investment in pramsheds this year (which demonstrated a three year average payback), and the suggestion that investment in garages could yield a better return still.
- 5.11 The total of the proposed programme is £6.615 million and is assessed in line with the 30 year HRA financial model. The schemes are driven by the increased knowledge of the state of the assets and in particular the rigour that the prioritisation matrices now lend to the process. Appendix 2 details the programme, which is summarised in the table below.

Scheme Type	Total Capital Estimate £	Percentage of Total Estimate
Boosted Water	148,000	2.2%
Communal Extract Fan	95,000	1.4%
Communal Heating	1,042,000	15.8%
Domestic Heating	168,000	2.5%
Door Entry Renewal	876,000	13.2%
Fire Safety	140,000	2.1%
Lift Renewal	3,434,000	51.9%
Water Tanks	472,000	7.1%
Non-Residential Asset	150,000	2.3%
Communal Play Area	15,000	0.2%
Estate & Balcony Lighting	75,000	1.1%
Grand Total	6,615,000	100.0%

5.12 As reported to Cabinet in March 2013, slippage of £4.178 million was projected on the mainstream programme in 2012-13. These approved schemes will be carried forward into 2013-14 meaning that a total programme of £10.793 million will be managed during 2013-14.

5.13 **Contingency**

The programme for 2012-13 incorporated a contingency of £1 million to be allocated towards urgent works. Approximately £600,000 of this contingency was utilised, with the remaining provision of £400,000 being carried forward into 2013-14 within the slippage of £4.178 million. It is suggested that the total contingency available for 2013-14 remains at £1 million, and in order to do this a capital estimate of £600,000 is sought. The utilisation of this contingency will be subject to the approval of the Corporate Director, Development and Renewal.

5.14 **Overcrowding Reduction Initiatives**

The Mayor is asked to formally approve a capital estimate of £500,000 for the inclusion within the programme of various overcrowding initiatives, including funding of the Cash Incentive Scheme and the Knock-through programme. These initiatives are designed to release or create family sized accommodation to relieve overcrowding.

5.15 **Aids and Adaptations, Capitalisation of Voids, Capitalisation of Fees and Salaries**

The Mayor is asked to formally approve capital estimates for the inclusion within the programme of the Aids and Adaptations budget (£750,000), the capitalisation of the major costs involved in bringing void properties back into use (£1,500,000), and the capitalisation from the Housing Revenue Account

of fees and charges associated with the delivery of the Capital programme (£650,000).

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

6.1 The report seeks approval for the adoption of capital estimates to enable the Council's Decent Homes programme to be completed, and also requests approval of the Mainstream HRA Capital programme.

6.2 As outlined in paragraph 5.2, to date initial capital estimates totalling £113.02 million have been adopted for the Decent Homes Programme as follows:

	£'million	Date of Cabinet Approval
Years 1 & 2: 2011-12 & 2012-13	42.02	8 June 2011
Years 3 & 4: 2013-14 & 2015-16	71.00	9 January 2013
	113.02	

The approvals sought in this report would amend the total capital estimates to £181.37 million, profiled as:

	£'million
2011-12 *	} 33.18
2012-13 *	
2013-14	54.73
2014-15	70.47
2015-16	22.99
	181.37

* Actual Outturn

6.3 The required expenditure and funding were incorporated within the rolling three year capital programme as reported to Cabinet in February 2013. This incorporated the funding set aside by Cabinet in September 2011 to finance the anticipated £149.49 million that was required to deliver the backlog programme, and additional resources required to finance the on-going need that has arisen over the subsequent four years.

6.4 The Council will receive Decent Homes Programme Backlog funding of £71 million to finance the 2013-14 and 2014-15 programme, with the balance of expenditure being funded from other capital resources set aside. The Greater London Authority approved grant entitlement is £25 million in 2013-14 and £46 million for 2014-15. The programme includes significant external work, elements of which will be rechargeable to leaseholders and are not eligible for grant. It is essential that expenditure on tenanted properties is managed to ensure that the grant entitlement is maximised, and as such the programme must be constantly reviewed to enable schemes to be either slipped or

brought forward from future years as necessary to ensure that grant resources are maximised.

- 6.5 This report also seeks the adoption of capital estimates for Housing Investment Programme schemes and initiatives as outlined in paragraphs 5.6 to 5.15, and detailed in Appendix 2. The programme will be financed through available resources identified within the Authority's HRA Business Plan and incorporated into the Council's three-year Capital Programme that was approved by Council in February 2013.
- 6.6 The Mainstream Schemes and initiatives outlined in this report will be undertaken over the same time period as the Decent Homes programme. In a capital programme of this size over a long period, there will inevitably be changes to the scope and timing of some schemes as they are worked up and detailed consultation takes place. It is therefore important that sufficient flexibility exists within the programme to ensure that schemes can be managed in line with available resources, and to ensure that, in particular, the Authority maximises any external year-specific financing, as has been outlined in paragraph 6.4 for the Decent Homes backlog funding.
- 6.7 Although Non-Decent Homes capital estimates of £10.615 million are sought, the programme will be robustly managed in line with resources available, with commitments only being entered into if they remain affordable within the HRA Business Plan.
- 6.8 It should be noted that a significant element of the costs of the capital programme will be chargeable to leaseholders, and although the Authority will be required to finance the works initially, it is vital that all costs are appropriately recharged in accordance with the terms of the lease.

7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 7.1 As the local housing authority for Tower Hamlets, the Council has broad functions in relation to reviewing housing need, providing housing, combating overcrowding and providing accommodation to the homeless. The Council is also responsible for maintaining its housing stock. It is consistent with good administration for the Council to adopt an investment programme related to the delivery of its housing functions.
- 7.2 The Financial Regulations set a threshold of £250,000, above which Cabinet approval is required for a capital estimate. The Financial Procedures supplement this requirement. In accordance with Financial Procedure FP 3.3, senior managers are required to proceed with projects only when there is a capital estimate adopted and adequate capital resources have been identified. Where the estimate is over £250,000 the approval of the adoption of that capital estimate must be sought from the Cabinet.

- 7.3 The items proposed in respect of decent homes and the mainstream housing programme are concerned with maintenance and repairs to dwellings and may be considered consistent with the Council's repair obligation under section 11 of the Landlord and Tenant Act 1985. The other capital estimates are for combating overcrowding and aids and adaptations, as well as the capitalisation of voids, fees and salaries. All of these are matters that are capable of being carried out within the Council's statutory functions. It will be for officers to ensure that individual commitments are carried out in accordance with legal requirements.
- 7.4 The Council administers the disabled facilities grant scheme under Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The Secretary of State makes a contribution to the expenditure incurred, but there is no barrier to a further allocation being made by the Council if the cost of the scheme exceeds the government contribution, provided it can be done within the HRA budget.
- 7.5 The Mayor has approved a budget for the housing revenue account (HRA) for 2013/2014. Pursuant to the requirements of Part VI of the Local Government and Housing Act 1989, the HRA budget has been set based on the best assumptions and estimates available and is designed to secure that the housing revenue account for 2013/2014 does not show a debit balance. When agreeing the capital estimates, the Council should be satisfied that they the capital estimates are within the HRA budget and that the HRA will not show a debit balance. Section 6 of the report provides information relevant to these considerations.
- 7.6 The contracts for the work have been procured as detailed in the Cabinet report of 9 January 2013.
- 7.7 Some of the proposed works relate to matters where the Council has the right to recharge leaseholders under their lease agreements subject to appropriate consultation under section 20 of the Landlord & Tenant Act 1985 (as amended) and the regulations made under that Act. The Council is only entitled to use HRA moneys in respect of the tenanted interests in the properties which will include a contribution to works carried out in the common parts of the buildings.
- 7.8 When agreeing the capital estimates, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information is contained in the One Tower Hamlets section of the report relevant to these considerations.

8 ONE TOWER HAMLETS CONSIDERATIONS

- 8.1 It is the Council's intention that over the course of the full four year 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.

8.2 Achieving equality of opportunity is at the heart of the Council's housing capital programme. Through the decent homes programme, the carrying out of repairs and the provision of aids and adaptations, the Council seeks to provide suitable accommodation to those in need.

8.3 In terms of delivery, taking forward the Decent Homes programme to Years 3-5 incorporates a continuation of the Decent Homes EqIA strategy that has been developed and implemented through Years 1 & 2. This includes a range of factors across the programme, encompassing capturing resident information, integrating needs in service delivery, through to staff training and awareness. The following factors are incorporated in the Decent Homes EqIA Action Plan and will be maintained throughout the programme:

- Integration of aids & adaptations into the Decent Homes programme, including close coordination with LBTH Occupational Therapy;
- Data collection through a specially developed process, capturing all residents information, needs & vulnerabilities;
- Development of Decent Homes specific elements of the 'Personal Offer';
- Communication of information through various media, including where appropriate use of pictorial and language specific information;
- Communication of all necessary information regarding the various stages of works, as well as the various contact points for residents;
- Integration with other services and organisations, in order to meet residents needs and vulnerabilities in the most appropriate way;
- Training for staff to encompass awareness of LGBT and diversity issues.

8.4 Equality issues are regularly reviewed during delivery of the programme and the information has been used to inform the proposed manner of delivery outlined above. Equality reviews have been conducted in the main through the programme governance with THH, but have also included the following –

- In 2011 a "Lesson's Learnt" paper reviewing Year 1 programme of the covered Diversity, Vulnerability, and Occupational Therapy data and concluded that earlier collation of vital information should be undertaken by RLO's in collaboration with other THH staff, and contractors were to increase the use of bi-lingual staff across the board, and make greater use of Language Line.

- Information has also been garnered from THH's MOLESD surveys in 2011 covering Mobility, Overcrowding, Language, Events, Support and Decorations which identified vulnerabilities and solutions.
- There was a further reflection on equalities following data received from the independent customer surveys conducted by KWEST on behalf of THH in August 2012, leading to a more detailed strategy around overcoming language barriers.

8.5 An equalities action plan has been prepared for the decent homes programme, which is included in Appendix 3.

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.

9.2 Decent Homes funding

The Council has been awarded £94.5 million of Decent Homes monies compared to a bid for £130 million. These levels of funding are assumed in the Tower Hamlets 30 Year HRA Financial Model. The Mayor in Cabinet agreed in September 2011 that the funding gap would be resolved by applying a range of current and anticipated future resources, including the potential use of up to £10m of New Homes Bonus grant.

It is critical that the Authority continue to deliver the allocated funding in the next two years and maximise its Decent Homes returns, as funding for 2013/14 and 2014/15 is subject to meeting agreed performance targets.

10 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 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.

11 CRIME AND DISORDER REDUCTION IMPLICATIONS

- 11.1 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.

12 EFFICIENCY STATEMENT

- 12.1 Efficiency has been highlighted in paragraph 3.4. 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.
- 12.2 As one would appreciate all contractors may have specific skill sets in different areas including labour, supply chains, working methods, resident liaison and waste minimisation to name a few. By combining the best of all, efficiencies will undoubtedly evolve. In relation to similar schemes delivered in other Authorities significant savings and efficiencies have been introduced.

13 APPENDICES

- Appendix 1: Decent Homes Programme 2013-14 to 2015-16
Appendix 2: Planned Maintenance Programme 2013-14
Appendix 3: Equality action plan
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None

N/A