



Haringey Council

Agenda item:

[No.]

CABINET

On 16th November 2010

Report Title: **Key Issues Facing Haringey's Decent Homes programme:**

Report of: **Niall Bolger, Director of Urban Environment**

Signed :

Date: 3.11.10

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Wards(s) affected: **All**

Report for: **Key Decision**

1. Purpose of the report

- 1.1 The purpose of this report is to update Cabinet on the Haringey Decent Homes Programme and to highlight that the implications of the outcome of the Comprehensive Spending Review announcements to the Decent Homes programme will be incorporated in the final report for consideration.
- 1.2 The Government has confirmed that investment via the Decent Homes programme will continue to improve the existing social housing stock and reports indicate that there will be a £2billion investment for Decent Homes programme. There is currently no agreed timeframe for the release of information and it is anticipated that the Government will make this clearer in the months ahead.
- 1.3 The report also gives a summary of the current position on the programme, highlights key risks and issues facing it, and considers options for delivering sustainable investment to the stock.

2. Introduction by Cabinet Member (if necessary)

- 2.1 The Government's Comprehensive Spending Review announcements on October 2010 indicated investment via the Decent Homes programme will continue to improve existing social housing stock and that there will be a £2billion investment for Decent Homes programmes. The Review will set the

context for future capital investment in housing and it is likely that there will be significant pressure on all capital funding, including the funding of the Decent Homes Programme. Haringey Council's allocation is currently unclear, and it is likely that the Council will need to consider a range of options for meeting the investment needs of the stock and to support key priorities.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1 Potential changes in funding will have a significant impact on our ability to deliver our Housing Strategy 2009-19, including key priorities:

- To meet housing need through mixed communities
- To ensure housing in the borough is well managed, of high quality and sustainable
- To provide people with the support and advice they need.

4. Recommendations

It is recommended that Cabinet:

- (a) Note progress made in delivering the Haringey Decent Homes Programme and the key issues and risks facing the programme.
- (b) Agree to consider priorities for the Decent Homes programme and the various investment options available, when the funding position is clear and when survey information is available for Years 4 & 5 of the programme, early in 2011.
- (c) Agree to investigate a range of investment options for the stock on Noel Park and to receive a further report recommending a way forward for decision
- (d) Agree to consider options on how to deliver Decent Homes work for out of borough stock, in view of possible changes to funding, and TSA requirements around consolidating property holdings and more effective housing management.
- (e) Agree to investigate a range of options for making the Council's hostel stock decent to receive a further report recommending a way forward for decision.

5. Reason for Recommendation

5.1 The reasons for these recommendations are outlined in point 6.

6. Decent Homes - Current Programme Position

6.1 In January 2008, Haringey Council was awarded funding of £198,500,000 for the Decent Homes Programme to tenanted properties. In addition an estimated £19,000,000 will need to be spent on associated leasehold properties and then recovered from the leaseholders. This funding is broken

down as follows:

Decent Homes Work:	£187,090,000
Environmental Improvements:	<u>£ 11,410,000</u>
Tenanted Total:	£198,500,000
Leasehold improvements:	<u>£ 19,000,000</u>
Total construction works:	£217,500,000

6.2 It is currently anticipated that, subject to satisfactory outcomes from the Year 4 & 5 surveys the Decent Homes Standard can be delivered within programme resources. Key issues and assumptions are as follows:

- A total of 11,641 homes are anticipated to be made decent over the period of the Decent Homes programme. This figure includes the 6,704 homes that were identified as non-decent at the outset of the programme and the remaining 4,937 homes that are anticipated to become non-decent over the same period
- As a result of Value Engineering work to date the average unit cost has reduced from £18,309 in Year 1 to £17,392 in Year 3 – a reduction of 5%. It is anticipated that the Decent Homes Standard can be delivered to the full stock, based on an assumption that a similar level of investment is required in years 4 & 5, plus further savings of some £2m are delivered from cost efficiencies (delivered through supply chain management and intelligent contract procurement)
- That delivery is based on the basic and not an enhanced Decent Homes Standard
- This level of investment per unit can only be sustained for the remainder of the programme on the assumptions that current anticipated funding is delivered and that at least £19m of leaseholder contributions are reinvested in the programme.

6.3 2010/11 is the 3rd year of the six year Homes for Haringey Decent Homes Programme. To date more than 4,000 tenanted homes have benefited from works, including:

- Kitchens to 2,277 tenanted homes
- Bathrooms to 2,098 tenanted homes
- Roofs to 1,175 tenanted homes
- Windows to 2,119 tenanted homes.

6.4 Leaseholders also benefit from external works where works are carried out.

6.5 Resident satisfaction has been very high across both years at an average of 96.5%.

6.6 The level of stock decency has increased from 58% of dwellings at the start of the programme to 72.5% at the start of this year's programme.

6.7 Based on information currently available, the programme can deliver the Decent Homes standard to all stock within available resources. However, there are some significant areas of risk and challenges that will need to be managed. These are detailed in the following paragraphs.

6.8 Decent Homes Funding:

6.8.1 The Department of Communities & Local Government has confirmed the Decent Homes funding allocation for Years 1, 2 & 3. However, future funding for the programme is indicative at the present time. The Government is currently undertaking a detailed review of public spending and it is unlikely that there can be clarity regarding future funding ahead of the Comprehensive Spending Review in October 2010. Significant changes in the level of funding for the Decent Homes Programme would make the programme unaffordable.

6.9 Efficiency Savings:

6.9.1 Savings must be realised within the Decent Homes programme through Value Engineering and Supply Chain Management.

6.9.2 To date these efficiency savings have delivered a reduction of approximately 7.2% against key elements of the works programme (kitchens, bathrooms, windows, and scaffold) and have contributed to a reduction of 5% in average unit costs from between Year 1 and Year 3 of the programme. Further savings are anticipated for Years 4 and 5, through supply chain management, (including benefits anticipated from the Supply Chain Management Group [SCMG]) and re-procurement of the main partnering frameworks.

6.10 Survey of Year 4 and 5 Properties:

6.10.1 The average budget per unit for Years 4 to 5 is approximately £17k (which is consistent with average unit costs achieved in the programme to date).

6.10.2 Detailed survey information is not currently available for Years 4 and 5 (2011/12 and 2012/13) of the Decent Homes programme. Consultants are currently being commissioned to undertake this work and it is anticipated that detailed survey work will be completed by early 2011. Properties will be surveyed to establish:

- The level of investment required to bring them up to the Decent Homes Standard; and
- To establish the remaining life of major components that are not being renewed which will help plan future investment requirements.

6.10.3 When this exercise is complete, we will have a clear view of the precise level of investment required to bring the remainder of the stock up to the Decent Homes Standard and will be able to make decisions on the priorities for any remaining funds.

6.11 Sustainable Investment / Properties with High Investment need:

6.11.1 The level of investment affordable within the Decent Homes programme is limited. In order to achieve sustainable benefit from this investment it is important to consider the longer term needs of the stock.

6.11.2 Data received from the survey of Year 4 and 5 properties will be analysed to identify:

- Properties with particularly high investment needs
- Properties and estates that have fundamental design issues.

6.11.3 This analysis will be used to identify stock that needs a higher level of intervention than can be delivered through the Decent Homes programme and to consider a wider range of options before commencement of any works. Options that could be explored include:

- Managed disposal and reinvestment in the retained stock
- Trickle Transfer of vacant properties to a Registered Provider (RP)
- Transfer of stock to a Registered Provider
- Market rent options to assist in funding higher levels of investment
- Regeneration opportunities.

6.11.4 It is suggested that the Council appraises the range of available options to consider the choices for the future delivery of sustainable investment in the Housing stock once the more detailed stock survey information is available early in 2011.

6.12 Noel Park Estate:

6.12.1 Survey work undertaken to date has identified Noel Park is an estate that requires higher than average levels of investment. The following paragraphs outline the investment challenges facing these properties and the report goes on to recommend an approach to exploring options that would deliver sustainable investment in these homes.

6.12.2 The Noel Park Estate was built by the Artizans Company at the turn of the 19th Century and has been granted Conservation Area and Article Four Direction status.

6.12.3 Haringey owns 1,239 homes on Noel Park Estate:

- 609 of which are houses
- 630 are flats
- 167 of the flats are leasehold.

6.12.4 Given the age and heritage of all of the Noel Park buildings, the anticipated cost of bringing the homes up to the Decent Homes Standard will be considerably higher than the average unit costs achieved on the Decent Homes Programme to date. Factors contributing to this high level of cost include, for example:

- Many roofs are original and in poor repair. Conservation regulations would require renewal in slate, the cost of which is high.
- Many windows on the estate are original. Any renewal to the front façade would require timber double glazed windows, which are approximately twice the price of UPVC windows and would require ongoing redecoration.
- A number of flats have very small "galley" kitchens and require internal remodelling to bring them up to modern standards.

6.12.5 It is also clear that the Decent Homes investment will not be sufficient to address some of the "heritage" aspects of the estate, such as:

- The repair of glazed brickwork and other design details
- Property boundary treatments

- Removal of contemporaneous porch structures.

6.12.6 Furthermore, 217 of the properties have prefabricated “pod” rear additions that contain bathrooms. These pods are at the end of their useful life and require replacement. Of these 217 homes:

45 are houses:	45
86 are flats (2 per block):	<u>172</u>
Total:	217

6.12.7 The cost of the renewal of the pods is currently estimated to be in excess of £7.9m plus the cost of any decanting of residents. This sum is not covered by the Decent Homes Programme and there is currently no provision in the capital programme.

6.12.8 The level of investment that can be delivered through the Decent Homes Programme will not deliver a standard for these homes that is sustainable in the context of their age and heritage.

6.12.9 In addition to this, the likely reduction, and/or re-phasing of the Decent Homes Budget in the forthcoming Comprehensive Spending Review will make it necessary to consider alternative approaches to ensure that investment will prevent further deterioration of the stock and will preserve the heritage and character of the buildings.

6.12.10 It is recommended that Cabinet agrees that officers should investigate a range of options to deliver the level of sustainable investment required to Noel Park and to report the options back to Cabinet for a decision on the way forward.

6.13 Out of borough stock

6.13.1 Haringey Council currently owns 409 housing units that are located outside of the borough boundaries.

6.13.2 Given the limited level of capital funding available to the Council, Members have indicated that priority should be given to homes within the Borough, in order to maximise the quality of investment and ongoing management that can be delivered through available resources. Delivering high quality management and repairs services to out of borough homes is more challenging and it is recommended that options for providing local solutions to the investment and management needs of these homes are investigated.

6.13.3 Cabinet is therefore asked to agree that in the event of changes to government funding of the programme, investment in the out of borough properties is deferred. They are also asked to agree to the exploration of other options for funding these works. Options to be explored will include:

- Stock Transfer to a Registered Provider
- Trickle transfer
- Stock Swap with the host local authority.

6.14 HRA Hostels

- 6.14.1 Homes for Haringey's bid for Decent Homes in July 2006 excluded the hostels as it was based on the 2004 guidance given by the ODPM, which advised the target did not apply to homeless hostels even though they are local authority owned.
- 6.14.2 The Council received £12.9million as major Repairs Allowance for 2010/11. This allocation supports repairs to the housing stock of 16,283, including the 157 hostels units, resulting in a notional allocation of £119k for repairs to the hostels, this will reduce in 2011/12
- 6.14.3 Homes for Haringey have estimated a cost of £874k to bring the 11 hostels to be retained hostels up to the Decent Homes standard by March 2013. In order to comply with current fire risk standards, £85k of improvements works are also needed to the Fire Alarm and equipment in each of the retained hostel units.
- 6.14.4 The Council has a need to retain hostel accommodation as it is used to accommodate single vulnerable homeless households and small families, mainly the applicant and one child.
- 6.14.5 Cabinet is therefore asked to agree to receive a further report investigating a range of options for making the Council's hostel stock decent recommending a way forward for decision.

7. Summary

- 7.1 The Haringey Decent Homes Programme has delivered successfully to date and is on target to bring all homes up to the Decent Homes Standard by 2014 on the assumption that:
- Anticipated Government Decent Homes Funding is received
 - The level of investment required to homes in Year 4 & 5 of the programme is equivalent to the level of investment delivered in Year 3 (approximately £17k per home)
 - Assumed efficiency and procurement savings are achieved.
- 7.2 Survey work for Year 4 & 5 Decent Homes programme is currently being commissioned. Results of this work will be available in early 2011 and investment decisions will need to be made at that time in the context of available financial resources.
- 7.3 Homes on Noel Park Estate require a higher than average level of investment and the renewal of the rear addition "pods" is estimated to cost in excess of £7.8m, which is not funded as part of the Decent Homes Programme. Cabinet is asked to agree that alternative options for funding this work are investigated and a recommendation is reported back for decision.
- 7.4 For Haringey's "out of borough" stock, it is recommended that cabinet agree that in the event of changes to government funding Decent Homes work is deferred. It is also recommended that Cabinet agree that officers investigate a number of alternative funding options for a future decision. The options could include:
- Managed disposal and reinvestment in the retained stock

- Trickle Transfer of vacant properties to a Registered Provider (RP)
- Transfer of stock to a RP
- Market rent options to assist in funding higher levels of investment
- Regeneration opportunities
- Stock swap with host borough.

8. Chief Financial Officer's Comments

8.1 At present the Decent Homes programme is assumed to be on target to deliver the expected outcomes within budget. However this is based on 4 main assumptions;

- That present levels of funding continue post the CSR.
- That further efficiency savings are identified in later stages of the project.
- That surveys of works required in Years 4 and 5 show cost of works in line with those experienced in the early years of the project
- That leaseholders contributions are recycled back into the project.

8.2 Even if these assumptions hold true it is unlikely that sufficient funding would be available to deal with specific issues relating to the Noel Park Estate and the HRA Hostels that are not included within the assumed Decent Homes funding. Additionally the timing of receipts from leaseholders may have cash-flow implications as income is assumed to be received after expenditure takes place.

8.3 Given the likelihood that the Comprehensive Spending Review will impact on the level of funding available it is necessary to explore further options for funding of required works. It should be acknowledged that these actions are also likely to have a capital cost at a time when the level of capital funding available to the Council is severely restricted.

8.3 It is important to ensure that no further Decent Homes funding is committed until the totality of funding becomes clearer, otherwise the Council may find it has committed funds to areas that are no longer a priority in future years.

9. Head of Legal Services Comments

9.1. The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report to include the Recommendations.

10. Head of Procurement Comments

11. Equalities & Community Cohesion Comments

11.1 A high proportion of households living in temporary accommodation are vulnerable and from Black and Minority Ethnic (BME) communities.

12. Consultation

12.1

13. Service Financial Comments

The forecast spend on the Decent Homes Programme is £217.5 million being funded through £198.5 million from specific government funding.

Up until the end of 2010/11 the government has released funding of £100 million and £3 million from contributions from leaseholders will be used. Government funding levels after 2010/11 will be announced after the Comprehensive Spending Review is announced.

Value for money is being sought through value engineering and supply chain management. In 2009/10 Some £1 million in savings was achieved on various elements of the programme and a similar forecast is assumed for 2010/11. These savings are taken into account in programming works which are monitored monthly along with all projects in the capital programme. These savings are being used to achieve the target of full decency by the end of the Decent Homes Programme.

14. Use of appendices

15. Local Government (Access to Information) Act 1985

