

**Haringey** Council

Agenda item:


**[No.]**

**Cabinet**

**On 26 April 2011**

Report Title: **Capital Programme Priorities 2011-14**

Report of: Anne Lippitt, Interim Director of Urban Environment

Signed:  Date: 14/4/2011

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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 provide Members with details of the capital funding that is expected to be available for investment in the Council's housing stock during the next four years: 2011/12 to 2014/15.
- 1.2 It seeks Cabinet approval of the capital programme priorities for 2011/12 and a revised scope of works for Haringey's Decent Homes programme. It also highlights the pressure on the capital programme and recommends a course of action that will enable the Council to make informed decisions about future investment.

**2 Introduction by Cabinet Member**

- 2.1 This report demonstrates the impact of the Government's decision to reduce Haringey's Decent Homes funding half way through the programme. It also shows how much extra investment is needed in the Council's housing stock and how difficult it is to decide how to spend what is a relatively small capital pot.

- 2.2 Although it would have been a lot more helpful and cost-effective if the Decent Homes funding had been spread more evenly over the 4 years, I do believe there is scope to negotiate more favourable prices with the four constructor partners.
- 2.3 It remains the longer term aspiration of the Council and Homes for Haringey to complete the Decent Homes programme. However, in order to achieve this, we will need to adopt an elemental approach to Decent Homes and consider more innovative and flexible funding solutions that enable us to deal effectively with properties and estates that are in need of very high levels of investment.
- 2.4 I support and welcome the proposal to carry out a borough-wide options appraisal (and to undertake detailed financial modelling), since this will enable us to give full and proper consideration to how best the Council might address the short term and long term investment needs of its housing stock.

### **3. Link(s) with Council Plan Priorities and actions and /or other Strategies**

- 3.1 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**

- 4.1 It is **recommended** that Cabinet:
- (a) Notes the size and implications of the reduction in Decent Homes funding for Haringey and agrees the revised scope of works that will be funded from the Decent Homes budget allocation (see Appendix 1);
  - (b) Agrees that first priority for the Decent Homes funding for 2011/12 will be given to current contractual commitments from 2010/11 totalling approximately £5m;
  - (c) Agrees that first priority for the estimated £10m of new commitments in the 2011/12 Decent Homes programme is given to works in contracts HO13, NT15 and ST16 and that, if financial savings can be achieved in these contracts through negotiation or mini tender, authority to commit these revised contracts is delegated to the Director of Adult & Housing Services in consultation with the Cabinet Member for Housing;
  - (d) Agrees that the 'deferred' scheme WG18 will be put on hold and that the Decent Homes investment required for these homes is considered, instead, as part of the wider investment needs of the whole of Noel Park;

- (e) Agrees that any spare capacity within the Decent Homes budget for 2011/12 (including that which is achieved through financial savings) will be used to fund additional Decent Homes works if those works will support the capital priorities detailed in this report and can be procured economically alongside the ongoing HO13, NT15 & ST16 contracts, and that authority to approve these additional works is delegated to the Director of Adult & Housing Services in consultation with the Cabinet Member for Housing;
- (f) Agrees that the higher specification ("Option 1") IRS system is installed in all Sheltered Housing blocks and that the IRS service charge for the residents of those blocks is 'capped' at the cost of Option 2;
- (g) Notes the substantial funding gap that is projected over the next four financial years (2011/12 to 2014/15) and agrees that additional financial modelling should be carried out to take into account the Government's self-financing proposals, the reduction in decent homes funding, up-to-date information about the condition and investment needs of the stock and alternative funding opportunities (including the use of Prudential Borrowing).
- (h) Agrees that the 2011/12 capital programme (excluding Decent Homes) will comprise the investment priorities as set out in Appendix 2 but subject to the identification of additional funding of up to £2.3m ;
- (i) Agrees that a borough-wide options appraisal (based on the financial modelling described in Paragraphs 9.4 – 9.9) should be carried out to inform Members' consideration of how best the Council might address the short term and long term investment needs of its housing stock; and
- (j) Agrees that Officers should explore the merits and feasibility of opportunities (including prudential borrowing) to address the peaks and troughs in capital funding that are anticipated during 2011/12 to 2014/15.

## **5. Reasons for the recommendations**

- 5.1 In February 2011, the Government announced the outcome of local authority bids for funding under its Decent Homes Backlog Funding Programme 2011-15.
- 5.2 Although Haringey fared slightly better than many other local authorities, its award of £69.9m over the next four years is £28.7 less than what it had been expecting to receive during the last three years of its Decent Homes programme.
- 5.3 In order to make best use of the funding available, the Council needs to reduce the scope of the work undertaken under its Decent Homes programme, negotiate further price reductions with the constructor partners and explore other funding options where the level of investment that is required in particular properties or estates is exceptionally high.
- 5.4 For 2011/12, the priority is to use the Decent Homes funding to meet the existing commitments from 2010/11 and to pay for a number of schemes that have been approved by the Procurement Committee but have been deferred.

- 5.5 Given the need to spend £5m on fire safety works and the installation of IRS in 2011/12, there is increased pressure on the Capital programme. This is compounded by the fact that the Major Repairs Allowance for 2011/12 is almost £4.9m less than what Haringey is expecting in 2012/13, 2013/14 and 2014/15.
- 5.6 Considerable efforts have already been made to minimise capital expenditure in 2011/12. However, more work is needed to address the peaks and troughs in capital funding that are anticipated during the period 2011/12 to 2014/15, with a particular emphasis on the needs and resources in 2011/12 and 2012/13.
- 5.7 To inform the Council's decision making in relation to future investment, a new 30 year Business Plan needs to be produced, based on the HRA self financing model and taking into account the results of this year's stock condition surveys. This Business Plan needs to be modelled on different scenarios for different types of property, especially where it is already recognised that certain parts of the stock are more costly to maintain and might require an alternative funding option.
- 5.8 The remodelling of the long term financial plan and the review of the funding options are inextricably linked. It is essential that Homes for Haringey and the Council appraise the range of available options for the future delivery of sustainable investment in the housing stock.

## 6. Haringey's Decent Homes Programme

### Reduction in Government funding

- 6.1 Prior to the Comprehensive Spending Review in October 2010 and the Government's announcement of its Decent Homes Backlog Funding programme, Haringey was expecting to receive Decent Homes funding of £98.6m over a three year period: 2011/12 – 2013/14.
- 6.2 Despite the high quality of its funding bid, Haringey has been advised that it will now only receive just over £69.9m and that this will be spread over four years (rather than three), with only £36m of the funding being 'firm commitments'. Almost £30m of the funding – due in the third and fourth years of the programme – is only an 'indicative allocation', so is not guaranteed.
- 6.3 Even if Haringey receives its whole allocation of £69.9million, this is £28.7m less than the Council was expecting to receive to invest in bringing its tenanted homes up to the Decent Homes Standard.
- 6.4 Including estimated leaseholder contributions of £4.5m and the £1m (provided by the Council) for the homeless hostels, Haringey is now planning a four year Decent Homes programme worth £75.431m:

<b>Decent Homes Related Funding</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>TOTAL</b>
Decent Homes	£15m	£21m	£6.451m	£27.480	£69.931m
Homeless Hostels	£1m	-	-	-	£1m
L/H Contributions	£1.5m	£1m	£1m	£1m	£4.5m
<b>TOTAL</b>	<b>£17.5m</b>	<b>£22m</b>	<b>£7.451m</b>	<b>£28.480</b>	<b>£75.431m</b>

- 6.5 The Government has indicated that, as substantially less funding is available, organisations may wish to review their approach to Decent Homes and move from the traditional 'whole house' approach (where all elements of the property are brought up to decency) to an 'elemental' approach (where investment programmes focus on particular key elements, such as windows and roofs).
- 6.6 Given the Government's revised guidance and the reduction in funding, it is recommended that an 'elemental' approach is introduced in Haringey. Such an approach would prioritise the following works:
- External repair and replacement of roofs and windows, etc; and
  - Essential Health & Safety works, such as electrical testing and upgrade, and Category 1 failures of the Housing Health and Safety Rating System (HHSRS).
- 6.7 This 'elemental' approach will ensure that more homes will benefit from Haringey's Decent Homes programme (albeit with a significantly reduced scope) and that key services and health and safety requirements can be maintained.
- 6.8 Unfortunately, however, the number of council homes brought up to the original Decent Homes Standard will be significantly reduced if an 'elemental' approach is adopted. Kitchens and bathrooms, for example, have previously been replaced when they are old or in a poor condition but, under the 'elemental' standard, they will only be renewed if they are assessed as being a health and safety hazard.
- 6.9 We will be seeking Government clarification of the targets and milestones it will be using to measure and monitor Haringey's performance against the programme.
- 6.10 Appendix 1 of this report provides a detailed scope of work for the 'elemental' standard that is proposed for Haringey's Decent Homes programme. This document describes the key external elements that will be tackled under the revised programme, but will need to be reviewed when the results of the stock survey of Year 4 & 5 properties is available in May 2011, when a more accurate assessment will be made of the cost and priorities within this programme.
- 6.11 Residents in Years 4 and 5 of the Decent Homes programme have been informed that the programme is under review. Homes for Haringey residents' Asset Management Panel is considering the implications of the changes in the programme and helping to develop and agree wider resident consultation on the key issues facing the programme.

#### Contractual commitments from 2010/11

- 6.12 First call on the £15m Decent Homes Programme for 2011/12 is the commitment from existing contractual commitments, from 2010/11, of approximately £5m.

#### Schemes that were approved, but deferred, in 2010/11

- 6.13 In order to maintain some continuity in the Decent Homes programme and ensure that an early start is made on site during 2011/12, it is proposed that first call on the remaining £10m of the Decent Homes Programme for 2011/12 is given to the three contracts (HO13, NT15 and ST16) that were approved by the Council's Procurement Committee in July 2010 and were due to commence on site in February 2011 but were deferred until the funding was confirmed.

- 6.14 Excluding the cost of the out-of-borough stock (as agreed by Cabinet at its meeting on 26 January 2011) and the homes that have already been funded from the 2010/11 programme, the total cost of the three contracts – based on the new 'elemental' standard which will result in far fewer kitchen and bathrooms being replaced than at present – is estimated to be just over £7.7m:

<b>Contract Number</b>	<b>Estimated cost of 'elemental' works (excluding out-of-borough stock)</b>
<b>HO13</b>	<b>£1,001,657</b>
<b>NT15</b>	<b>£4,422,488</b>
<b>ST16</b>	<b>£2,290,736</b>
<b>TOTAL</b>	<b>£7,714,881</b>

- 6.15 Although a fourth contract (WG18) was approved by the Procurement Committee in July 2010 and was also due to commence on site in February 2011 but was subsequently deferred until the funding was confirmed, this contract relates only to the window renewal of 286 homes in Noel Park.
- 6.16 As the WG18 contract does not include the full cost of all of the external work required to the 286 properties (such as roof renewals, structural repairs and external redecoration), it is proposed that this contract is deferred and that the full extent of the works required are considered in the context of the investment required to the rest of the Noel Park estate, including the Noel Park Pods.

Reducing the contractors' prices

- 6.17 At present, the Decent Homes programme is divided into four geographical areas with a contractor allocated to each area. The reduced level of Decent Homes funding in 2011/12 means that it may not be cost effective to continue working with all four contractors, each with their own overheads
- 6.18 Homes for Haringey is working with the contractors to explore options for reducing their overheads. Options being considered include the following:
- Carry out a mini-tender (involving all four contractors) to select two contractors for the 2011/12 Decent Homes programme. (Such an approach will require the contractors' agreement to amend the framework conditions);
  - Limit the Decent Homes work to just two of the four geographical areas during 2011/12. (Such an approach would be worth pursuing if the contractors are unwilling to agree to a mini-tender).

Use of any additional capacity in 2011/12 programme

- 6.19 It is proposed that any additional capacity in the 2011/12 Decent Homes programme should be used to fund further Decent Homes works (identified from the stock condition survey) if those works will support the capital priorities detailed in this report and can be procured economically alongside the ongoing contracts (HO13, NT15 & ST16).

6.20 It is proposed, also, that authority to approve this additional work is delegated to the Director of Adult & Housing Services in consultation with the Cabinet Member for Housing.

## 7. 2011/12 Capital programme

7.1 Excluding Decent Homes funding, the Capital programme for 2011/12 (comprising Major Repairs Allowance of £13.6m and funding of £100k each for the Transferable Discount Scheme and Major Void Works) will total £13.8m.

7.2 Appendix 2 of this report contains details of the investment required to maintain the housing stock and key services through programmed, planned preventative maintenance. It also proposes the priorities for investment in 2011/12.

7.3 The investment planned for 2011/12 will aim to ensure that key statutory and health and safety requirements are met, all of the Council's tenants and leaseholders are prepared for the digital switchover on 4 April 2012, and essential capital repairs and renewals can be carried out within the available funding.

7.4 Unfortunately, however, there is very limited scope for some essential works such as Planned Preventative Maintenance or the renewal of key components, such as kitchens and bathrooms. The impact of this is increased pressure on the Responsive Repairs budget as repeated repairs are likely to be required to try to maintain elements that have reached the end of their useful life.

### Mechanical and Electrical – £2.21m

7.5 The Mechanical & Electrical programme includes the renewal of key mechanical and electrical components (such as communal wiring, ventilation systems and door entry systems), the provision of fire fighting equipment and improvement works recommended following Fire Risk Assessment inspections.

7.6 The following table details the priorities for the programme between 2011- 2014:

<b>Description of Works</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Rewiring of landlord's electrical supply to blocks.	£290,000	£780,000	£780,000
Door Entry Systems – planned maintenance and repair to maintain operation of existing door entry systems.	£420,000	£420,000	£420,000
Fire Risk Assessment works – Priority 1 works recommended following Fire Risk Assessment inspections.	£1,500,000		
	<b>£2,210,000</b>	<b>£1,200,000</b>	<b>£1,200,000</b>

7.7 The Fire Risk Assessment allocation of £1.5m for 2011/12 covers essential works identified as being required in the higher risk high-rise blocks, hostels and sheltered housing. There is also provision for essential works to approximately 1,200 low rise blocks that are currently being assessed and will have an investment need, albeit at a lower value per block.

7.8 There is no scope to reduce the Mechanical & Engineering budget without increasing the risk to health and safety or the risk of failure of key services.

Installation of Integrated Reception System (IRS) – £3.5m

7.9 In preparation for the digital switchover in London in 2012, Homes for Haringey has been installing IRS in all blocks of flats that require a communal television aerial. Without such a system, residents will be left without a TV signal when London's analogue signal is switched off on 4 April 2012.

7.10 A substantial proportion of the cost of installing IRS will be recovered from tenants and leaseholders through their service charges.

7.11 By the end of March 2011, Homes for Haringey had installed IRS in 2,009 homes. During 2011/12, it will complete its IRS programme by installing IRS in another 9,255 homes (491 blocks) at a cost of £3.5m.

7.12 Homes for Haringey has now consulted all of the residents affected, asking them to express a preference for one of two types of IRS (Option 1 or Option 2).

7.13 When the residents of Sheltered Housing were consulted about IRS, 30% of residents attended the consultation meetings and, of those who attended, 58% expressed a preference for Option 2, the lower specification IRS.

7.14 It is acknowledged that many residents of Sheltered Housing rely very heavily on television for information, entertainment and enjoyment. It is acknowledged, also, that non English speaking residents of Sheltered Housing are more likely to become isolated and, due to their age profile, are less likely to learn English.

7.15 Taking all of these factors into account – including the low sample level – it is proposed that the higher specification IRS (Option 1) is installed in all 1,311 Sheltered Housing dwellings but, as the majority of the residents who expressed a preference (albeit only 17.5% of all residents in Sheltered Housing) requested Option 2, it is proposed to 'cap' the IRS service charge for Sheltered Housing residents at what it would have cost them for Option 2.

7.16 The estimated cost of this decision is £93K. This approach was considered and endorsed by the Housing Capital Programme Board in December 2010.

Asbestos Removal – £100k

7.17 This budget funds the testing, removal and management of asbestos containing materials (ACMs) identified during responsive repair works. It is essential that this budget is maintained to enable responsive repairs work to be completed safely and ensure that ACMs are safely managed in homes and communal areas. It is however possible to halve the budget, to £100k, by sealing or encasing the asbestos, rather than removing it in all cases. The residual risk would be small.



#### Sewage & Drainage Works – £37k

- 7.18 This small budget of £37k funds the replacement of sewage pumps to pumping stations. As these services must be maintained, this budget should be retained.

#### Boiler Replacements and Major Repairs – £2m

- 7.19 This budget funds the replacement of boilers, together with major repairs such as the replacement of heat exchangers, on a reactive basis.
- 7.20 Although a boiler has an expected life of 15 years, many boilers are considerably older than this and should be replaced. Modern energy efficient boilers that Homes for Haringey is now installing have a life expectancy of only 12 years.
- 7.21 In a recent report to the Homes for Haringey Board, it was recommended that an annual budget of £4m be provided to support a planned approach to boiler replacement. Unfortunately, in view of the pressure on the capital programme, it is proposed that a budget of £2m is set aside for replacements and repairs.

#### Lift Renewal – £1.4m

- 7.22 This budget funds the replacement of lifts that have reached the end of their useful life. Lifts have an expected life of between 15 and 20 years, and lift replacement programmes require long lead-in periods because of the specialist nature of the work and the bespoke requirements of each lift.
- 7.23 There are 142 lifts in the Council's housing stock. In 2011/12 and 2014/15, there are 60 lifts identified for renewal. Each of these lifts is more than 20 years old, and several are significantly older.
- 7.24 The contract for the renewal of lifts on the Broadwater Farm Estate was let in 2010 and this contract will result in expenditure of £1.4m in 2011/12. It is proposed that the 2011/12 budget covers only this commitment.
- 7.25 As no allowance will be made for the renewal of other lifts in 2011/12, there will be a higher reliance on repair rather than planned replacement, and an increased likelihood of lifts having to be taken out of service. Significant responsive repair expenditure may be incurred in keeping old lifts working until they are renewed.

#### Structural Works – £400k

- 7.26 This budget funds essential structural works including, for example, underpinning, concrete repairs and brickwork repairs.
- 7.27 It is proposed to reduce this budget by one third, to £400k, for 2011/12. This may result in the period of monitoring structural movement being extended and/or concrete and brickwork repairs being limited to areas where there is a Health & Safety risk, such as where concrete may fall from the building. The latter approach is likely to increase the need for ongoing maintenance, including multiple access costs such as scaffolding.

#### Essential Capital Works – £200k

- 7.28 This budget provides a small contingency of £200k for unforeseen / emergency capital works that may arise over the course of the year. The budget is now only one third of what it has been historically, and it is proposed that it is retained.

#### Capitalised Responsive Repairs – £4m

- 7.29 This budget funds capital works (such as kitchen renewal, bathroom renewal and the installation of new central heating systems) that are carried out, as part of the responsive repairs programme, to renew items that are beyond economic repair.
- 7.30 A detailed review of capital works funded through Responsive Repairs is to be carried out to ensure that the works are consistent with the capital priorities agreed by Cabinet, and to ensure that an appropriate balance is achieved between capital and revenue expenditure.
- 7.31 Repairs to void properties account for a significant amount of expenditure within this budget and, although it is anticipated that the reorganisation of the Repairs Service will result in reduced costs and assist the reduction of expenditure in the longer term, consideration will need to be given to whether or not there is scope to reduce the average cost of void repairs without reducing standards.
- 7.32 It is proposed that this budget is reduced from £4.363m to £4m.

#### Extensive Void Works – £600k

- 7.33 This budget funds the repair and improvement of void properties that require major works before they can be re-let.
- 7.34 It is proposed that Extensive Voids Budget is halved, to £600k, in 2011/12. Although this budget reduction will result in far fewer major voids being brought back into use during the year, this is unavoidable and can be mitigated by the selective disposal of properties that are in the worst condition and require the highest level of investment.
- 7.35 Further consideration will need to be given to whether or not the capital receipts from such enforced disposals should be recycled into the capital programme and used to fund extensive void works to properties requiring substantial investment.

#### Planned Preventative Maintenance

- 7.36 As reported to the Housing Capital Programme Board in September 2010, a full Planned Preventative Maintenance (PPM) Programme would cost in the region of £8.7m per annum up until 2014/15 and £6.2m per annum thereafter. A basic PPM Programme (limited to external repair and redecoration) will cost around £5.2m.
- 7.37 Given the severe constraints on the capital budget for the period 2011/12 to 2013/14, it is proposed that there is no PPM programme in 2011/12, and only a limited PPM programme in years 2012/13 and 2013/14.. Any high priority external work that is required during this period will be funded from the Decent Homes programme which will now focus on the repair and renewal of external elements.

- 7.38 In the absence of an adequately resourced PPM programme, the external condition of the stock will deteriorate and key elements of the homes (such as the roofs and the windows) will require renewal sooner than would have been expected if a full PPM programme was in place. It is also likely that there will be increased pressure on the Responsive Repairs budget, as repeated repairs will be required in order to maintain elements that are due for renewal.

Aids & Adaptations – £1.2m

- 7.39 This demand-led budget funds the adaptation of council homes and the provision of disabled facilities for council tenants and members of their household.
- 7.40 The Council and Homes for Haringey have eliminated the backlog of requests for Aids & Adaptations, and waiting times are now controlled by the time taken for assessment, surveying, costing and installations.
- 7.41 It is estimated that, during 2010/11, more than £1m of disabled facilities work was undertaken by Homes for Haringey, as part of the Decent Homes programme. The need for these works was often identified during the initial Decent Homes assessment which takes into account access issues and disability.
- 7.42 Unfortunately, due to the substantial reduction in funding, it is likely that Haringey's Decent Homes programme will include only very limited expenditure on home adaptations and disabled facilities. This will increase the pressure on the Aids & Adaptations budget.
- 7.43 Although the Aids & Adaptations budget was £1.4m in 2010/11, it is proposed that this is reduced to £1.2m in 2011/12. This is the sum that has been allowed for Haringey's Aids & Adaptations in the proposals for the reform of the HRA.
- 7.44 As expenditure of £500k is already committed for 2011/12, just £700k is available for new applicants. Any further reduction in the Aids & Adaptations budget is likely to result in the available budget being fully committed just part of the way through the year. It will also result in residents who have been assessed as being in need of a major adaptation having to wait for funding.
- 7.45 In view of the high demand for Aids & Adaptations and the reduced level of funding, it is proposed that the service provided by Adult Services, Homes for Haringey and the Lettings Team is reviewed to ensure that an efficient, joined-up service is provided and that, where possible, applicants whose homes require major adaptations are moved to homes that have already been adapted.

Estate Improvements – £50k

- 7.46 This small £50k budget funds high priority environmental improvements that are identified by Tenancy Management staff in consultation with residents and local tenant and resident associations. As this is a low cost / high impact budget, it is recommended that it is retained.

Major Works Conversions – £100k

- 7.47 This budget funds major works to create additional bedrooms – to reduce overcrowding – through loft conversions and by making use of unused spaces.
- 7.48 Although the conversions programme could be stopped, this would deny the Council an opportunity to relieve overcrowding. It is therefore proposed that this budget is reduced, by one third, to £100k.

### Energy Conservation – £150k

- 7.49 This budget funds works that increase the thermal comfort for residents, reduce fuel bills and carbon dioxide emissions, and lever in energy efficiency grants.
- 7.50 This is a low cost / high impact budget that attracts matched funding and improves residents' quality of life. It is proposed that budget is retained at its current level of £150k.

### Cash Incentives – £100k

- 7.51 This budget provides council tenants with grants to enable them to purchase a suitable home on the open market, freeing up homes for other people in housing need. Take up of these cash incentives has reduced significantly in recent years and, on average during each of the last two years, 6 grants a year have been paid at an annual cost of £115,000.
- 7.52 Although the cash incentives scheme could be stopped, this would deny the Council an opportunity to free up social rented housing. It is therefore proposed that this budget is reduced, by one third, to £100k.

## **8. Balancing the 2011/12 Capital programme**

- 8.1 Excluding Decent Homes expenditure, the 15 capital priorities for 2011/12 (detailed in Section 7 of this report) amount to £16.047m:

£ 2,210,000	(Mechanical & Electrical)
+ £ 3,500,000	(Integrated Reception System)
+ £ 100,000	(Asbestos Removal)
+ £ 37,000	(Sewage & Drainage Works)
+ £ 2,000,000	(Boiler Replacements & Major Repairs)
+ £ 1,400,000	(Lift Renewal)
+ £ 400,000	(Structural Works)
+ £ 200,000	(Essential Capital Works)
+ £ 4,000,000	(Capitalised Responsive Repairs)
+ £ 600,000	(Extensive Void Works)
+ £ 1,200,000	(Aids & Adaptations)
+ £ 50,000	(Estate Improvements)
+ £ 100,000	(Major Works Conversions)
+ £ 150,000	(Energy Conservation)
+ £ 100,000	(Cash Incentives)
<b><u>£16,047,000</u></b>	

- 8.2 Excluding Decent Homes funding and leaseholder contributions, the funding available to meet these 15 capital priorities is £13.8m:

£13,600,000	(Major Repairs Allowance)
+ £ 100,000	(Transferable Discount)
+ £ 100,000	(Major Void Works)
<b><u>£13,800,000</u></b>	

- 8.3 The above figures exclude £1.4m of professional fees and £1.5m of leaseholder contributions and, although very careful consideration has been given to reducing capital expenditure even further to close the funding gap in 2011/12, Officers consider that any further reductions in expenditure will impact on the Council's ability to meet its statutory health and safety obligations, have an adverse effect on rental income and/or result in a corresponding increase in expenditure on Responsive Repairs and/or other Council services, such as Adult Social Care.
- 8.4 Notwithstanding the other challenges facing the Council and Homes for Haringey in relation to the investment needs of the Council's housing stock, it should be noted that £5m of the capital expenditure in 2011/12 (fire safety works of £1.5m and IRS of £3.5m) cannot be deferred until 2012/13 and will not recur in subsequent years. The cost of IRS is recovered from tenants and leaseholders, however, through their service charges.
- 8.5 It should be noted, also, that the Major Repairs Allowance for 2011/12 (£13.6m) is substantially lower than what Haringey is expecting (£18.482m) in 2012/13, 2013/14 and 2014/15 and that there may be scope to reduce the budget for Capitalised Responsive Repairs even further, in 2012/13, when the changes from the recent reorganisation of the Repairs Service have become embedded.
- 8.6 Given the cost and priority of the fire safety works and IRS installation, the only way in which the Council will be able to fund all of the capital priorities in 2011/12 is to generate additional capital receipts or improve cash flow in 2011/12 and 2012/13 by drawing on HRA balances and/or making use of prudential borrowing.
- 8.7 Officers from Homes for Haringey and the Council are now exploring all of these options and will be reporting their findings, and recommending an appropriate course of action, to the Homes for Haringey Board and the Council's Housing Capital Programme Board by the end of Quarter 1 in 2011/12.

## **9. Financial modelling and investment options**

- 9.1 A lot has changed since September 2008, when Homes for Haringey produced its last 25 year Business Plan and forecast a shortfall in resources of £536m.
- 9.2 During the past 2½ years, Haringey's housing stock has benefited from Decent Homes investment, the Government has announced its plans to reform the HRA and introduce flexible tenure and the Affordable Rent Option, and Haringey has been told that it will now receive £28.7m less funding than it had expected to receive for its Decent Homes programme. Within the next few weeks, Homes for Haringey will also receive and analyse all of the data from the surveys of the homes included in the remainder of the Decent Homes programme.
- 9.3 This survey data will help the Council and Homes for Haringey to identify properties and estates that have particularly high investment needs and/or fundamental design issues. It will also enable an assessment to be made of the 30 year capital investment requirement of the stock and the anticipated funding gap.

- 9.4 In order to inform the Council's decision making, a 30 year Business Plan needs to be produced, based on the HRA self financing model and taking into account the results of this year's stock condition surveys.
- 9.5 A number of different scenarios need to be modelled, in order that the Council can be properly appraised of the impact of some of the key assumptions, including:
- Inflation and interest rates
  - Rent levels and the associated policy
  - Void rates
  - Rent collection levels
  - Future management costs
  - The options for capital investment, particularly around the decent homes standard and what that actually means
  - The potential to access other external funding sources
  - The use of prudential borrowing.
- 9.6 The 30 year Business Plan also needs to be modelled on different scenarios for different types of property, especially where it is already recognised that certain parts of the stock, such as the Noel Park Pods, are more costly to maintain and might require an alternative funding option.
- 9.7 The remodelling of the long term financial plan and the review of the funding options are inextricably linked. The commissioning process will reflect this.
- 9.8 It is proposed that Homes for Haringey and the Council appraise the range of available options for the future delivery of sustainable investment in the housing stock. Options that may be explored could include regeneration initiatives, managed disposal and reinvestment, local stock transfer, and increased rents. Specialist advice will be required to fully appraise these options and it is estimated that this piece of work will cost in the region of £70k.
- 9.9 To this end, it is proposed that a brief be produced and quotations are obtained from consultants that have the required skills and experience. The scope of this study, the fee and any budget implications will be reported back to the Housing Capital Programme Board and to Cabinet. This work will tie into the work that Strategic & Community Housing Services is leading on to develop regeneration sustainability indices to highlight the regeneration potential of Haringey's housing stock and to inform the Council's decision on how the short term and long term funding gap might best be bridged.

## **10. Chief Financial Officer Comments**

- 10.1 The figures within this report represent estimates of both the required expenditure and available budget in future years, in particular the budget figures for 2013/14 and 2014/15 are effectively notional, as the position is likely to change significantly once the move to self-financing takes place.

- 10.2 However it is clear that there will be a significant gap between the Council's desired level of capital investment in its housing stock and the funding available. The reduction in Decent Homes funding represents just one element of a change in the funding landscape that will require Councils to think differently about investment in housing stock.
- 10.3 This report seeks to use £5m of the 2011-12 decent homes allocation for existing commitments, with schemes suggested as priorities for the remaining £10m. This money should only be committed once the opportunity for contract savings has been explored and the estimated costs revised following the switch to an elemental approach for Decent Homes work.
- 10.4 The report also asks Members to agree priorities for the remainder of the capital programme. It should be noted that decisions on the capital programme also have potential knock-on effects on revenue expenditure elsewhere, for example reductions in spend on voids could impact on the level of rent income received and reductions in planned maintenance may impact on revenue costs longer-term. Similarly opportunities for efficiencies within the revenue budgets should be reviewed before committing the capitalised responsive repairs budget.
- 10.5 Prudential Borrowing is an option for closing any remaining gap in funding required, although clearly the costs of this borrowing would fall upon the HRA. However, any prudential borrowing will only ever form part of a long-term solution and consideration will need to be given to a range of options in the context of the remodelling of the 30 year HRA Business Plan under the new self-financing regime proposed by the government.

## **11. Head of Legal Services Comments**

- 11.1 The report asks Cabinet to agree that any additional capacity within the 2010-12 Decent Homes budget will fund further Decent Homes works identified from the ongoing stock conditions survey. The report recommends that approval for this additional work be delegated to the Director of Adult & Housing Services in consultation with the Cabinet Member for Housing.
- 11.2 Cabinet has the power under section 15 of the Local Government Act 2000 to delegate authority to approve contracts to officers.
- 11.3 The report asks Cabinet to agree that further financial savings in contracts HO13, NT15 & ST16 are explored via negotiation or mini-tender and that authority to commit these revised contracts is delegated to the Director of Urban Environment. As stated in paragraph 8.2 above Cabinet has the power to delegate authority to award contracts to officers.
- 11.4 As stated in paragraph 6.18, running a mini-tender would require agreement of the framework contractors to amend the Decent Homes framework conditions. Homes for Haringey's external legal advisors, Trowers and Hamblins, have advised that such an amendment would be in accordance with procurement legislation.

11.5 This report is a key decision and Homes for Haringey have confirmed this has been included in the Forward Plan.

11.6 The Head of Legal Services confirms there are no legal reasons preventing Cabinet approving the recommendations set out in the report.

## **12. Equalities & Community Cohesion Comments**

12.1 Homes for Haringey's Asset Management Strategy, 2010-17, covers all investment in the Councils housing stock, including decent homes. In drawing up the Strategy, an Equalities Impact Assessment was undertaken. The findings have been incorporated into Homes for Haringey's planning processes for delivering decent homes. This includes ensuring that all residents receive the same standard of work, and consideration of specific language and other needs are identified and addressed when drawing up programmes of work.

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

## **13. Consultation**

13.1 Resident consultation on the proposals detailed in this report have been incorporated into the main text of the document. Consultation is being shaped by the Resident Asset Management Panel and through the Homes for Haringey Board.

## **14. Service Financial Comments**

14.1 The Service Finance Comments are incorporated into the text of this report.

14.2 Homes for Haringey's Director of Resources has been involved in the preparation of this report and their comments are incorporated in the body of the report.

## **14. Use of Appendices**

Appendix 1 – Proposed Improvement Standard (Elemental)

Appendix 2 – Proposed Capital Priorities 2011/12

## **15. Local Government (Access to Information) Act 1985**

Homes for Haringey's Asset Management Strategy 2010-17.





**Haringey Council**

## Appendix 1 Proposed Improvement Standard (Elemental)

<b>Element</b>	<b>Full Haringey Standard</b>	<b>Current decent homes standard</b>	<b>Proposed improvement standard</b>
<b>INTERNAL</b>			
Kitchen	Will be replaced when kitchen reaches 20 years old with a modern kitchen unless work is needed beforehand because unfit. Street/estate approach	Will be replaced when kitchen reaches 20 years old with a modern kitchen and/or if HHSRS requirement. Assessed on an individual property basis	Will not be replaced (unless work/replacement is needed under HHSRS)
Bathroom	Will be replaced when bathroom becomes 30 years old with a modern bathroom unless work is needed beforehand because unfit. Street/estate approach	Will be replaced when bathroom reaches 30 years old with a modern bathroom and/or if HHSRS requirement. Assessed on an individual property basis	Will not be replaced (unless work/replacement is needed under HHSRS)
Electrics (wiring)	Will be replaced when work becomes necessary on a street/estate/block approach	Will not be replaced unless works identified by PIR testing Assessed on an individual property basis	Will not be replaced unless works identified by PIR testing Assessed on an individual property basis
Electrics (CCU)	Will be replaced when work becomes necessary on a street/estate/block approach	Will not be replaced unless works identified by PIR testing Assessed on an individual property basis	Will not be replaced unless works identified by PIR testing Assessed on an individual property basis

Element	Full Haringey Standard	Current decent homes standard	Proposed improvement standard
Boiler	All properties should have a full modern central heating system	Assessed on an individual property basis following survey. Replacement: rem life of =<5 years	Will not be replaced (unless replacement is needed under HHSRS)
Heating system	All properties should have a full modern central heating system	Assessed on an individual property basis following survey. Replacement: rem life of =<5 years	Will not be replaced (unless replacement is needed under HHSRS or system reaches end of its life)
Smoke detectors	All properties should be fitted with mains wired smoke detectors	Hardwire or 10 yr life battery systems installed if not present Assessed on an individual property basis	Will be installed or replaced if identified under HHSRS, or as part of upgrade of wiring under PIR test.
Insulation	All cavity wall properties should be fitted with cavity wall insulation	Loft – subject to survey, installed to 300mm if possible Cavity - subject to survey, installed if possible Assessed on an individual property basis	Loft – subject to survey, installed to 300mm if possible Cavity - subject to survey, installed if possible Assessed on an individual property basis
Asbestos	No reference in Options Appraisal	Asbestos survey carried out to dwellings in DH programme (Yr 1 and Yr 2 requirement was 10% of dwellings where works carried out; Yr 3 onwards, requirement is 100% of all dwellings irrespective of works identified or not)	Asbestos survey carried out to all dwellings in DH programme

Element	Full Haringey Standard	Current decent homes standard	Proposed improvement standard
<b>EXTERNAL</b> Roof (inc associated structure)	Will be replaced when work becomes necessary on a street/estate approach. Flat roofs to be replaced with pitched roofs where feasible	Will be repaired/replaced following survey/options appraisal. Assessed on an individual property/block basis	Will be repaired/replaced following survey/options appraisal. Assessed on an individual property/block basis
Windows	All single glazed windows will be replaced with double glazing irrespective of condition on a street/estate/block basis (except in a conservation area where secondary glazing may be used instead).	Will be replaced with double glazed units if necessary following survey. Assessed on an individual property/block basis (window repairs carried out under PPM)	Will be repaired or replaced with double glazed as necessary  Note: single glazed and steel framed windows will not automatically be replaced – this is dependent on remaining life
Front/back doors (to dwellings)	Will be replaced with modern and secure doors, irrespective of existing condition on a street/estate approach	Replaced with modern and secure doors in accordance with performance specification, when works becomes necessary  Assessed on an individual property basis following survey. Replacement: rem life of <=5 years  Note: only street facing doors/doors on open walkways will be replaced (door repairs carried out under PPM)	Replaced with modern and secure doors in accordance with performance specification, when works becomes necessary  Assessed on an individual property basis  Note: only street facing doors/doors on open walkways will be replaced (door repairs carried out under PPM)

<b>Element</b>	<b>Full Haringey Standard</b>	<b>Current decent homes standard</b>	<b>Proposed improvement standard</b>
External door (to block)	Will be replaced with modern and secure doors, irrespective of existing condition on a block approach	Not included in current standard	Will not be replaced
No door entry system to block	Will be provided in all cases	Not included in current standard	Will not be installed. Essential planned maintenance works will be addressed in the M&E Capital Programme
Lift old and in need of repair	Will be replaced/upgraded as part of a fully funded planned preventative maintenance programme	Not included in current standard	Will not be installed / upgraded. Essential planned maintenance works will be addressed in the Lift Capital Programme
No security cameras on estate	Will be provided where deemed appropriate	Not included in current standard	Will not be installed. Essential planned maintenance works will be addressed in the M&E Capital Programme
<b>Element</b>	<b>Full Haringey Standard</b>	<b>Current decent homes standard</b>	<b>Proposed improvement standard</b>
Structural repairs	All necessary structural work should be carried out to the high rise properties and low rise non-traditional units in	External concrete repairs carried out as necessary – in addition External Repairs and Decorations (Chimney/ Wall finish/	Essential structural repairs will be undertaken.

	order to give these properties a 30 year life	Fascia/soffit/barge) will be repaired if scaffolding erected for roof and/or windows works under DH programme.  Assessed on an individual property/block basis  External fabric and finish repairs carried out under PPM if scaffolding not erected for DH works	
External environment	Items such as fencing, gates, paths will be replaced as and when required. Provision also made for environmental improvements. Scope for significant estate remodelling	Not included in current standard	Will not be included
digital TV	All properties should be cabled for digital TV reception before analogue is switched off	Included within Year 1 and 2 of programme - not included in current standard	Will not be included. These works will be addressed in the M&E Capital Programme.



## Appendix 2 Proposed Capital Priorities 2011/12

DESCRIPTION OF WORKS	2011/12
<b>PROPOSED PRIORITIES</b>	
<b>DECENT HOMES</b>	
Essential external works to make dwellings weather tight (roofs, windows doors etc) and essential health and safety works to remove category 1 HHSRS fails (may include electrics, central heating systems etc)	£ 15,000,000
<b>STRUCTURAL WORKS</b>	
	£ 400,000
<b>ENERGY CONSERVATION</b>	
Works to fund energy efficiency programme including - Insulation (loft, cavity, solid wall) - Hot water tank jackets - Draught proofing - Renewables low cost/high impact budget that also provides opportunity to lever in additional funds and improve residents quality of life	£ 150,000
<b>BOILER REPLACEMENTS</b>	
Boiler Replacement	£ 2,000,000
<b>CAPITALISED REPAIRS</b>	
	£ 4,000,000

<b>LIFT IMPROVEMENTS</b>	
Planned Lift Renewal	£ 1,400,000

<b>MAJOR WORKS CONVERSIONS</b>	
Creation of additional bedspaces for overcrowded homes	£ 100,000

<b>MECHANICAL AND ELECTRICAL</b>	
Rewire Landlords electricity supplies	£ 290,000
Door Entry System: Planned Maintenance	£ 420,000
Fire Risk Assessment: Priority 1 works	£ 1,500,000

<b>DIGITAL TV - INTEGRATED RECEPTION SYSTEM (IRS)</b>	
Install IRS	£ 3,500,000

<b>PROFESSIONAL FEES</b>	
	£ 1,408,000

<b>ESSENTIAL CAPITAL WORKS</b>	
Contingency for essential works	£ 200,000

<b>ASBESTOS REMOVAL</b>	
	£ 100,000

<b>SEWAGE AND DRAINAGE WORKS</b>	
	£ 37,000

<b>EXTENSIVE VOIDS WORKS</b>	
	£ 600,000

<b>AIDS &amp; ADAPTATIONS</b>	
	£ 1,200,000

<b>CASH INCENTIVES</b>	
Grants to enable tenants to buy	£ 100,000

<b>ESTATE IMPROVEMENTS</b>	
Local environmental priorities	£ 50,000

<b>HOSTELS REFURBISHMENT</b>	
Essential external works to make dwellings weather tight (roofs, windows doors etc) and essential health and safety works to remove category 1 HHSRS fails (may include electrics, central heating systems etc)	£ 1,000,000

<b>TOTAL</b>	
<b>TOTAL</b>	£ 33,455,000