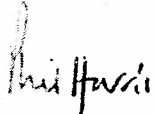


Haringey

Report for:	Cabinet	Item Number:	
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Title:	2012-13 Capital Programme and Decent Homes Variations
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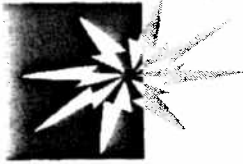
Report Authorised by:	Mun Thong Phung, Director of Adult & Housing Services x5919 mun.thong@haringey.gov.uk  pp
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Lead Officer:	Mustafa Ibrahim, Head of Commissioned Services x5369 mustafa.ibrahim@haringey.gov.uk Peter Maddison, Deputy Director of Property Management Homes for Haringey x1021 peter.maddison@homesforharingey.gov.uk
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Ward(s) affected: Bounds Green Noel Park Northumberland Park Tottenham Hale Woodside	Report for Key/Non Key Decisions: KEY
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1. Issue under consideration

- 1.1 On 4 October 2011, Cabinet agreed the priorities to be funded as part of the 2012-13 Decent Homes programme, totalling £17m. On 8 March 2012 Cabinet agreed the priorities for an additional £8.322m of capital resources added to the 2012-13 Decent Homes programme. The agreed Decent Homes programme of £25.332m is within the overall approved housing capital budget for 2012-13 of £42.781m.

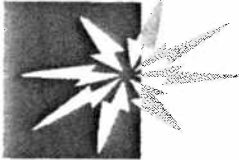


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- 1.2 Following a review of the whole housing capital programme, this report sets out a number of variances arising from projected spend and commitments to the end of the financial year. This report explains the main variances and proposes virements to ensure that the budget more accurately reflects the planned programme outputs.
- 1.3 The agreed Decent Homes programme is based on the “elemental” standard agreed on 26 April 2011 and has been planned and costed on the basis of “like for like” roof replacement i.e. flat roofs replaced with flat roofs. The report identifies potential changes to the “like for like” roof replacement for specified blocks in view of the value for money considerations of such a change. Due to the Decent Homes programme implications set out in 5.2.26 below, an urgent decision is required in order that the risk of the programme not being fully delivered in 2012-13 is minimised.

2. Cabinet Member introduction

- 2.1 I welcome the opportunity to add further resources to the 2012-13 Decent Homes programme following on from the changes that commenced this financial year whereby the sums allowed for maintenance and management within the housing revenue account were increased on a permanent and ongoing basis. I note also that under the new financial arrangements a 30 year investment strategy needs to be implemented. As a landlord we have a responsibility to take a long term view of our housing stock and improve it to the best possible standard within available resources.
- 2.2 I support pitched roof replacement for the five blocks listed in this report, these from a list of 33 roof schemes being implemented this year. All these schemes have been assessed and a shortlist of 15 roofs were considered as possible for conversion to pitch. Following further visits and financial assessments the list was reduced to the 5 roofs listed in this report. I believe there is a financial case as shown in this report and an aesthetic case for this change even more so as **these sites comprise 2 of the most deprived estates in Tottenham**. The additional costs for leaseholders can be justified on this basis, and recovered given the length of the leases and the proven difference that pitched roofs will make to the attractiveness and marketability of their properties.
- 2.3 Top of the list of the repair issues that I receive from tenants and leaseholders is the problem of flat roofs consistently leaking, even after being repaired.



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- 2.4 Information I have received from another London council, who converted blocks from flat to pitched roofs prior to Decent Homes, supports the view that maintenance costs will be reduced. As these estates have come into their Decent Homes programme:

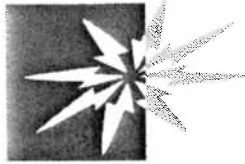
*“in no cases have we found it necessary to do more than very minor works to the flat to pitch roof conversion schemes . . . In some cases insulation standards have been increased and this has been possible at a very low cost due to the ease of access to the roof space . . . **the conversions to pitched roof represent some of the best money invested in its stock**; not only have maintenance costs been cut enormously but the insulation was added at low cost and obviously savings in heating over 20+ years have been high.”*

- 2.5 The case cannot be made for pitched roof conversions for the other 28 blocks that have been reviewed, nor is there any intention to adopt pitched roofs as the standard in all future cases. Each replacement should be considered on its own merits and in the longer 30 year term context of the borough's stock investment needs and priorities
- 2.6 I am aware that the transformation of these 2 estates would be most welcomed by residents and assist in our aim to transform Tottenham. The report clearly shows that these 5 blocks would be better off in all aspects with pitched roofs a transformation that has previously been implemented at other estates.
- 2.7 I note also the proposed investment in Tangmere, Broadwater Farm Estate, of £823,664 on one roof I am concerned about this expenditure on what will remain the most problematic and unattractive block within all of our housing stock, I have asked that this expenditure be held back as long as possible to perhaps enable another option to be implemented that would then allow this expenditure to be reallocated.

3. Recommendations

It is recommended that:

- 3.1 Members note the position on the 2012-13 housing capital programme set out in appendix 1.
- 3.2 Members approve the virements totalling £1.319m to the 2012-13 Decent Homes programme as set out in appendix 2.
- 3.3 Members confirm whether pitched roof solutions should be installed, at an additional cost of £511,771, on five blocks as follows:



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- Charles Bradlaugh House
- 2-24 Circular Road
- 93-110 Holcombe Road
- Robert Burns House
- 2-20 Scales Road

- 3.4 If pitched roofs are not the preferred option for any or all of these blocks, Members approve the addition of schemes to the Decent Homes programme as set out in paragraph 5.1.7.
- 3.5 If pitched roofs are the preferred option, further consultation is undertaken with leaseholders for the recovery of the additional unit costs of the pitched roof solution for the three blocks where Section 20 notices have been issued based on a flat roof solution, as set out in paragraph 5.2.20.
- 3.6 The future policy on flat and pitched roof replacement is determined as part of the stock investment review and included in the revised HRA 30 Year business plan.

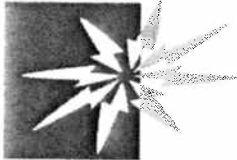
4. Other options considered

- 4.1 The options for further schemes to be added to the Decent Homes programme if resources allowed were previously agreed by Cabinet in the form of a reserve list. There is no need to consider alternatives to these schemes at this stage.
- 4.2 The two options of proceeding with like for like flat roof replacement or switching to pitched roof replacement are assessed in this report. No other options have been considered.

5. Background information

5.1 Housing Capital Budget: Proposed Virements and Commitments

The approved housing capital budget for 2012-13 is £42.781m. A full review of the programme has been carried out and appendix 1 of this report gives a summary of the Capital Programme at Month 5 (August 2012). A number of variances have been identified based on spend and commitments projected to the end of the financial year. Virements are proposed to ensure that the budget more accurately reflects the planned programme outputs. A summary of the effect of these virements is detailed in appendix 2 of this report.



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5.1.1 **Extensive Voids**

Approved Budget:	£1,350k
Proposed Revised Budget:	£ 637k
Change:	-£713k

There are a number of budget heads in the housing capital budget for void works. The majority of capital voids are undertaken by HRS (the repairs contractor) and are funded under "H216 – Capitalised Works" which has an approved budget of £4,563k. Furthermore, specific void works are also being undertaken in the following budget heads:

H241 – Major Void Conversions	£550k
H252 – Major Voids and Accommodation	£500k
H254 – Adaptations and Refurbishment (13 Campsbourne)	£ 90k

It is anticipated that the cost of extensive Voids can be contained with projected outturn of £637k and that the balance of £713k is vired to the Decent Homes budget.

5.1.2 **Mechanical and Electrical**

Approved Budget:	£1,250k
Proposed Revised Budget:	£ 644k
Change:	-£606k

A significant part of the Mechanical and Electrical budget was for the upgrade of communal electrical supplies to blocks. This work is to be procured through the Decent Homes programme and is reflected in the Decent Homes costs detailed in the following paragraphs. It is therefore recommended that the £606k of this budget is vired to the Decent Homes budget.

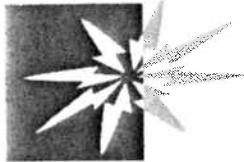
5.1.3 **Decent Homes Standard**

Approved Budget:	£25.332m
Proposed Revised Budget:	£26.641m
Change:	£1.319m

It is proposed to increase the 2012-13 Decent Homes budget to £26.641m. This will give capacity to commit further Decent Homes works from the approved programme. This is detailed in the following sections of this report.

5.1.4 **Decent Homes Commitments 2012-13 (Year to Date)**

The following table gives a breakdown of the current commitments in the Decent Homes programme including delegated approvals by the Director of Adult and Housing Services in consultation with the Lead Member for Housing.



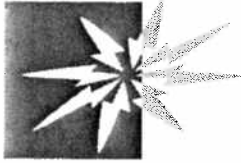
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Decent Homes Commitments	
2011/12 Carry forward commitments	£2,729,871
CESP match funding	£1,000,000
Apollo	
ST20 - Ferry Lane: Gosport Walk; Jarrow Rd; Runcorn Close	£987,871
ST25 - Ferry Lane: Reedham Close	£2,990,713
ST26 - Ferry Lane: Erskine Cres; Queensferry Walk	£1,285,779
ST21 - BWF: Willan Road houses	£148,260
ST22 - BWF: Kenley; Northolt	£411,832
ST23 - BWF: Hornchurch; Lympne; Rochford	£2,069,239
ST24 - BWF: Croydon; Debden; Hawkinge; Manston; Martlesham; Stapleford	£3,844,129
ST27 - BWF: Tangmere	£823,664
Apollo Total	£12,561,485
Lovell	
NT20 - Fire Risk Works to Alnwick; Bamburgh; Bellingham; Cheviot; Corbridge; Whittingham	£166,969
WG23 Winkfield Rd (excl 55 Winkfield & Birch Hse)	£1,423,368
WG24 - Hollies/Coldham Ct/Bounds Grn Ct	£979,739
WG25 - Sandra Close	£522,840
Trulock Ct (Non CESP works)	£1,153,366
Kenneth Robbins	£990,804
Alexandra Mansions	£928,873
Chedworth House	£670,819
Lovell Total	£6,836,778
Agreed Works Total	£23,128,134
Current Approved Budget	£25,322,000
Currently Uncommitted	£2,193,866

Proposed Virements to Decent Homes:	£1,319,000
Total Proposed Budget	£26,641,000
Total Uncommitted Budget:	£3,512,866

5.1.5 Community Energy Saving Programme (CESP)

We have entered into a funding agreement with Carillion Energy Services to deliver a programme of CESP funded energy works. The funding agreement will contribute £1,072k to a project with a total value of £1,825k. Match funding of £753k has been committed from the



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approved Decent Homes under delegated authority of the Director of Housing and Adult Services, in consultation with the Lead Member for Housing.

The balance of £246,659 from the approved budget allocation will be used as a contingency sum for the CESP scheme and to explore further energy funding initiatives in the current financial year.

The measures that will be delivered with this funding include:

External wall insulation:	£199k
Cavity wall insulation:	£69k
Loft Insulation:	£62k
Boilers and Heating Controls:	£224k

5.1.6 Further Commitments of the Decent Homes Budget

In accordance with the previous Cabinet decision on 4 October 2011 and 20 March 2012, further commitments are being made to the 2012/13 programme under delegated authority in line with the proposed increased Decent Homes budget of £26.641m.

The commitments from the total uncommitted budget of £3,512,866 are set out below.

Summary of Further Commitments

Continuation of WG23

55 Winkfield & Birch Hse (Previously on hold from WG23) **£306,870**

NT19 (incl Circular, Scales & Holcombe) £2,081,205

Additional Cost of pitched roof to Circular, Scales & Holcombe £253,883

£2,641,958

Charles Bradlaugh House £992,832

Robert Burns House £475,440

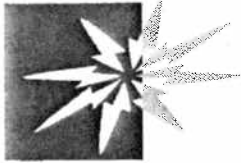
£1,468,272

Additional Cost of pitched roof to Charles Bradlaugh & Robert Burns £257,888

£1,726,160

Total Further Commitments **£4,368,118**

Overprogramming in 2012-13 **£855,252**



The Decent Homes contract for “NT19”, which includes 2-24 Circular Road, 2-20 Scales Road and 93-110 Holcombe Road, is based on a like for like renewal of the existing flat roof. Cabinet is asked to consider the benefits of installing pitched roofs instead of renewing the existing flat roofs to 2-24 Circular Road, 2-20 Scales Road and 93-110 Holcombe Road.

Two schemes from the reserve list, Charles Bradlaugh House and Robert Burns House, are being included in the 2012-13 Decent Homes programme and similarly were priced on a like for like renewal of the existing flat roof. Cabinet are also asked to consider the benefits of installing pitched roofs instead of renewing the existing flat roofs for these blocks.

The rationale for the possible switch to pitched roofs is explained in 5.2 below. The additional cost of pitched roofs for these blocks would be £511,771.

- 5.1.7 If the pitched roofs option is not preferred, it is recommended that the available £511,771 is allocated to schemes identified in the reserve list previously agreed by Cabinet. The priority schemes are as follows:

Roseland Close (Good Neighbour)	NT	£93,307
Compton Crescent (Good Neighbour)	WG	£246,744
Louise Court (Good Neighbour)	WG	£156,765
	total	£496,815

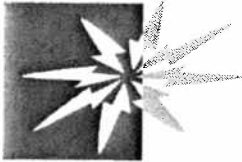
5.1.8 Cashflow

The following table gives a summary of the proposed cashflow of the spend against the approved and proposed Decent Homes commitments:

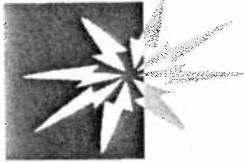
Total Proposed Commitment 2012-13	Projected Spend 2012-13	Carry forward commitment 2013-14
27,496	26,641	855
All figures £000's		

5.2 Roof Replacement

Lifecycle Costs and Assumptions



- 5.2.1 The assessment of whether flat or pitched roofs offer the best value for money is informed by a lifecycle cost model prepared by Langley Roofing (our supply chain roofing contractor) and reviewed by HfH and Council staff. The costs are also subject to independent review by Ridge and JRP, HfH's building consultants.
- 5.2.2 The lifecycle assumption is that a pitched roof will last for 60 years and a flat roof for 25 years. The Langley model reflects that the initial installation cost of a pitched roof is usually higher than that of a flat roof. The model includes inflation over 30 years.
- 5.2.3 25 year warranties are provided for both pitched and flat roofs. If a flat roof has an overlay in Year 25, a further 25 year warranty will apply. This means that the lifecycle costing assumes that maintenance costs will be higher after Year 25 for pitched roofs as they will be out of warranty.
- 5.2.4 The model assumes that the annual maintenance cost to each type of roof is £300 p.a. during the warranty period. Higher repair costs on flat roofs are offset by the higher access (scaffolding) costs for pitched roofs. Beyond the 25 year warranty period, it is estimated that the annual repair cost for a pitched roof will be £1,300 p.a.
- 5.2.5 HfH considers these cost assumptions to be reasonable. In practice maintenance works will be carried out as part of the 5-year planned maintenance programme (i.e. £1,500 may be spent every 5 years during the warranty period, rather than £300 every year).
- 5.2.6 Roof renewal in Year 25 for flat roofs is likely to include related building works e.g. repairs to parapet walls. No provision has been made for these costs in the Langley model as they cannot reasonably be foreseen. Costs for related building works on pitched roofs are also likely to be incurred but the longer life of a pitched roof means that any such additional costs fall outside the 30 year comparison. This is unlikely to be a material factor in the choice between flat and pitched roofs.
- 5.2.7 It should be noted that the maintenance assumptions in the model inform a projection of the future rather than reflect past experience. Actual spend on roof repairs and maintenance in the past is not a factor in decisions relating to the future. This is because the costs incurred reflect a historic lack of roof maintenance and issues with specific blocks. Furthermore, there has been considerable improvement in the quality of flat roofs in recent years (see 5.2.11 below) which mean that historic flat roof issues should not recur.

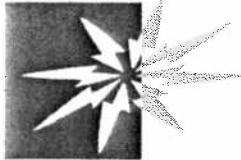


Financial Comparison

5.2.8 The 2012/13 Decent Homes programme includes 33 roof replacement schemes. Of these, 18 schemes are proceeding for Broadwater Farm and Ferry Lane estates as planned, i.e. like for like replacements for both flat and pitched roofs. The remaining 15 schemes have been further reviewed in order to confirm that the planned flat roof replacement should proceed or whether switching to a pitched roof replacement would offer better value for money.

5.2.9 Our business and asset management planning is normally based on a 30 year period and the Langley model has therefore been reviewed over this period. The results of this analysis for the 15 blocks in questions are as follows:

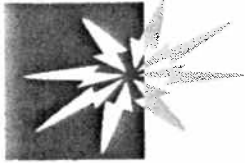
Block	Time	Flat Roof Renewal Option	Flat to Pitched Conversion Option	Pitched Roof Additional Cost (Year 1)	Cost Difference (Year 30)
		£	£	£	£
Birch House	Cost in Year 1	28,483	63,919	35,436	
	Total Cost at Year 30	63,242	87,391		24,149
Bounds Green Court	Cost in Year 1	156,083	293,110	137,027	
	Total Cost at Year 30	271,842	316,582		44,740
Cedar House	Cost in Year 1	56,224	164,182	107,958	
	Total Cost at Year 30	123,984	187,654		63,671
Charles Bradlaugh House	Cost in Year 1	193,910	315,418	121,508	
	Total Cost at Year 30	370,598	338,890		-31,708
Circular Road 2-24	Cost in Year 1	86,939	139,345	52,406	
	Total Cost at Year 30	160,181	162,817		2,636
Coldham Court	Cost in Year 1	115,954	297,350	181,396	
	Total Cost at Year 30	274,619	320,822		46,203
Daphne House	Cost in	56,224	164,182	107,958	



Block	Time	Flat Roof Renewal Option	Flat to Pitched Conversion Option	Pitched Roof Additional Cost (Year 1)	Cost Difference (Year 30)
	Year 1				
	Total Cost at Year 30	123,984	187,654		63,671
Devon Close 1-23	Cost in Year 1	98,447	186,466	88,020	
	Total Cost at Year 30	171,606	209,938		38,332
Devon Close 2-24	Cost in Year 1	98,447	186,466	88,020	
	Total Cost at Year 30	171,606	209,938		38,332
Holcombe Road 93-110	Cost in Year 1	59,027	222,740	163,713	
	Total Cost at Year 30	308,287	246,212		-62,075
The Hollies	Cost in Year 1	64,041	111,115	47,074	
	Total Cost at Year 30	119,051	134,587		15,536
Robert Burns House	Cost in Year 1	232,827	369,207	136,380	
	Total Cost at Year 30	439,737	392,679		-47,058
Sandra Close	Cost in Year 1	98,625	221,302	122,677	
	Total Cost at Year 30	225,635	244,774		19,139
Scales Road 2-20	Cost in Year 1	96,718	134,483	37,765	
	Total Cost at Year 30	171,978	157,955		-14,023
Winkfield Rd 55	Cost in Year 1	28,483	62,469	33,986	
	Total Cost at Year 30	68,942	85,941		16,999

5.2.10 Based on a purely financial assessment, a pitched roof solution would provide a saving over 30 years for 4 of the 15 blocks as follows:

- Charles Bradlaugh House (saving £31,708)
- Holcombe Road (saving £62,075)
- Roberts Burns House (saving £47,058)



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- Scales Road (saving £14,023).

However choices for the roof solution are not guided solely by cost and both pitched and flat roof solutions offer advantages that need to be taken into account, as well as any factors specific to individual blocks.

Other Factors

5.2.11 In addition to the renewal costs of flat roofs being generally lower than pitched roofs, it should be noted that there has been considerable improvement in the quality of materials used for flat roofs in recent years and contractors are now offering 25 year insurance backed guarantees for materials. Many new build properties currently being developed in the public and private sectors are using flat roof technology.

5.2.12 A pitched roof is less vulnerable to damage by vandalism or accident as they are harder to access. There is a risk of the roof warranty being rendered invalid through an act of vandalism and this risk is higher for a flat roof.

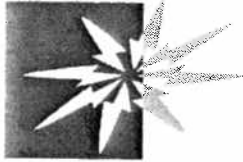
5.2.13 It may be appropriate to opt for a pitched roof solution where there is a specific design flaw in the existing flat roof, for example:

- Where there are services (e.g. gas pipes and electrical ducting) running across the roof that are difficult to detail around and still be accessible, or
- Where there may be defective internal drainage that runs through the roof that is difficult to maintain.

In such instances the additional cost of the pitched roof renewal should be considered in the context of the risk that a flat roof renewal would not address the inherent design flaw. However this consideration does not apply to any of the 15 blocks under review.

5.2.14 Pitched roofs can be aesthetically more desirable than flat roofs and can significantly improve the aesthetics of areas they are installed. It therefore may be desirable to install a pitched roof for aesthetic reasons; for example, as part of a design-led master plan, or a wider estate regeneration initiative, or where a block is in a particularly important strategic location.

5.2.15 It may also be the case that adjoining blocks have a different roof type and there is an opportunity to harmonise them. This consideration applies to three of the blocks under review. Charles Bradlaugh and Robert Burns are both surrounded by other blocks with pitched roofs, and the financial case can be made for these blocks to have pitched roofs. The third block, 2-24 Circular Road, is one of four and the other



three all have pitched roofs. Given that the cost difference over thirty years is very small (and well within the margin of error for such lifecycle assumptions), Members may wish to consider switching from the planned flat roof replacement to a pitched roof replacement for this block.

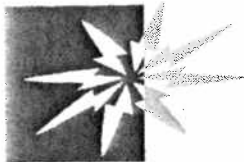
5.2.16 Charles Bradlaugh House currently requires remedial work to the parapet wall coping which would result in a higher than usual cost of the flat roof renewal. This coping can be left in situ if a pitched roof were installed. Furthermore, the cost of the pitched roof is relatively lower than others as the roof has very few obstacles (such as services and tank rooms) which makes the pitched roof works straight forward. The pitched roof option indicates an estimated financial benefit of £31.7k after 30 years.

5.2.17 In summary, based on the financial assessment and other considerations highlighted above, 5 of the 15 blocks under review could be considered for pitched roof replacement. Four of them (i.e. Charles Bradlaugh House, Holcombe Road, Roberts Burns House and Scales Road) have higher Year 1 costs but provide better value for money over 30 years. The fifth block, 2-24 Circular Road shows a small deficit of £2.6k in Year 30 but the design considerations for this estate, and the margin of error associated with long term modelling based on assumptions, indicates that Circular Rd should be included in the consideration by Members.

5.2.18 Using Langley's model pitched roof replacement will result in an additional Year 1 cost of £511,771, however over the 30 year lifecycle a saving of £152,228 will be achieved.

5.2.18 The lifecycle costings provided by the Langley model do not include a calculation of Net Present Value (NPV) which is more appropriate for capital budgeting. The NPV analysis for the blocks in question results in the following:

		Charles Bradlaugh	Circular Road	Holcombe	Robert Burns	Scales Road
Over 30 years	Cost of Flat Roof	289,605	127,463	193,427	344,641	138,318
	With Inflation	407,735	174,791	361,228	483,456	187,026
	NPV	262,564	116,532	155,083	312,892	127,073
	Cost of Pitched Roof	329,118	153,045	236,440	382,907	148,183
	With Inflation	343,278	167,205	250,600	397,067	162,342



	NPV	325,872	149,798	233,193	379,661	144,936
	Difference - real cost	-39,513	-25,582	-43,013	-38,267	-9,864
	Difference - cash	64,457	7,586	110,628	86,389	24,684
	Cash - NPV	-63,308	-33,266	-78,110	-66,768	-17,863
Over 40 years	Cost of Flat Roof	292,605	130,463	196,427	347,641	141,318
	With Inflation	417,614	184,669	371,106	493,334	196,905
	NPV	264,391	118,360	156,911	314,720	128,901
	Cost of Pitched Roof	342,118	166,045	249,440	395,907	161,183
	With Inflation	386,084	210,011	293,406	439,873	205,148
	NPV	333,792	157,718	241,113	387,581	152,856
	Difference - real cost	-49,513	-35,582	-53,013	-48,267	-19,864
	Difference - cash	31,530	-25,342	77,701	53,461	-8,243
	Cash - NPV	-69,400	-39,358	-84,203	-72,861	-23,955

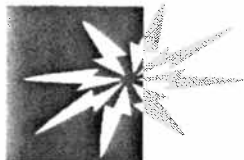
For each of the blocks, the analysis shows that over both 30 or 40 years the real cost of pitched roofs based on these estimates for maintenance and renewal is greater (the real cost means the cost at today's prices). When inflation is taken into account, the cash cost of pitched roofs is lower because the major work takes place at today's prices – however the income received by the HRA will also rise as prices rise so there will be more funding in future to pay the inflated costs of flat roof renewal.

The net present value calculation takes into account the economic principle that it is better to defer expenditure where possible. This is because to spend money now you must either borrow or forego the opportunity for other investments. In this calculation a nominal interest rate of 5% has been used which is close to the current average rate of borrowing for the HRA (this is lower than the Treasury Green Book rate which suggests 3.5% real.)

Under this calculation the cost of pitched roofs at net present value is greater than flat roofs over both 30 and 40 years.

Energy Efficiency Considerations

5.2.19 HfH advise that current building regulations require roof systems to achieve a u-value of 0.18 or better. This standard is achieved by both flat and pitched roofing systems and no particular energy factors have been identified by HfH.



Leaseholder Considerations

5.2.20 Leaseholders in Circular Road, Scales Road and Holcombe Road have been consulted on the basis of a flat roof solution and received Section 20 notices for the flat roof costs. A new consultation, with a further Section 20 notice giving notification of the additional cost, would be required for these three blocks.

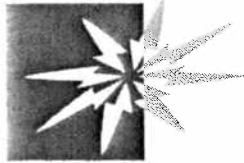
5.2.21 There are 11 leaseholders in the three blocks (of 40 units in total) where a change would be required. If revised Section 20 notices are issued to include pitched roofs, there is a risk of challenge from one or more leaseholders. Any challenge would be heard by the Leaseholder Valuation Tribunal (LVT).

5.2.22 A previous LVT decision for 20 Osman Close supported the Council in taking a longer term view based on value for money but it should be noted that decisions made at LVT do not create “case law”. There is a risk that a different decision might be made at a future LVT.

5.2.23 Nine of the leaseholders in the five blocks detailed below have “repair only” leases. The LVT could consider conversion of a flat roof to a pitched roof to be an improvement and there is a risk that we will not be able to recover the additional cost of the pitched roof works from these leaseholders.

5.2.24 If a pitched roof were installed, the additional unit costs in Year 1 that leaseholders would be required to pay are as follows:

Block	Total Units	LH	Flat Roof Renewal Total Cost	Flat Roof Unit Cost	Flat to Pitched Total Cost	Flat to Pitch Unit Cost	Addit. Cost per L/H Year 1
Charles Bradlaugh House	69	15	£193,910	£2,810	£315,418	£4,571	£1,761
Circular Road 2-24	12	3	£86,939	£7,245	£139,345	£11,612	£4,367
Holcombe Rd 93-110	18	4	£59,027	£3,279	£222,740	£12,374	£9,095
Robert Burns House	55	13	£232,827	£4,233	£369,207	£6,713	£2,480
Scales	10	4	£96,718	£9,672	£134,483	£13,448	£3,776



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Block	Total Units	LH	Flat Roof Renewal Total Cost	Flat Roof Unit Cost	Flat to Pitched Total Cost	Flat to Pitch Unit Cost	Addit. Cost per L/H Year 1
Road 2-20							

Approaches in other London Authorities

5.2.25 Many London councils have undertaken flat to pitched roof conversions works in the past, particularly before the advent of Decent Homes. The need to stretch Decent Homes funding as far as possible, coupled with improvements in flat roof construction, have led some councils to consider the initial additional cost to be prohibitive, except where there are specific problems with a particular flat roof or where a financial benefit can be demonstrated.

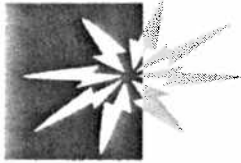
Programme Implications

5.2.26 The further review of roof options for these blocks has resulted in a delay to contracts being let for the five blocks in questions. Contracts have been let for the other ten blocks where a financial case could not be made for pitched roofs. It is therefore very important that the scope of the roof works for the remaining five blocks is determined to allow work to progress on this element of the Decent Homes programme and minimise the risk of slippage on the programme.

5.2.27 A switch to a pitched roof approach will require planning permission and an additional Section 20 notice will need to be served for three blocks as outlined in 5.2.20 above. This will add approximately 6 to 8 weeks to the programme for the affected blocks.

5.2.28 In general the Decent Homes programme has sought to minimise Year 1 costs in order that available resources can be applied to more schemes as a means of tackling non-decency. The reduction in Decent Homes funding and the extension of the programme has resulted in the level of non-decency increasing from 20% of the stock in April 2011 to 29.8% in April 2012.

5.2.29 A longer term view is being taken in the work currently underway on stock investment and the revised HRA 30 Year Business Plan which offers an opportunity for the Council to make strategic decisions on the standard for Council homes in the borough. The cost of converting all of the flat roofs in the borough to pitched roofs is estimated to be in the region of £22m. Members need to consider investment decisions in a wider and longer term context, taking into account other key priorities.



6 Comments of the Chief Finance Officer and financial implications

6.1 The capital programme for the HRA as approved by Council in February 2012 was £42.781m. This report proposes the following changes to the allocations in this programme:

- A reduction of £713k to the Extensive Voids capital programme
- A reduction of £606k to the Mechanical and Electrical Works programme
- An increase of £1,319k to the Decent Homes Programme.

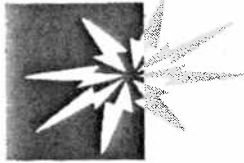
These virements do not increase the overall capital programme and can be met from the current funding.

6.2 This report also provides an update on the contracts let under Delegated Authority and further works proposed within the Decent Homes Programme. The total of all the proposed contracts leads to an over commitment of the programme of £855k. Homes for Haringey who manage the programme advise that it is normal practice to over commit the programme as the contracts are let on an Approved Maximum Price basis and actual costs are usually lower. Over committing the programme at this stage allows management flexibility and avoids underspending. The programme costs will need to be carefully monitored to ensure that an overspend does not occur.

6.3 The report also considers whether some of the additional Decent Homes allocation could be used to change the roof specification on five properties from flat roof to pitched roof. The total cost of the flat roof option is more expensive in cash terms over thirty and forty years as flat roofs have a shorter life span. However, if the time value of money is taken into account the net present value of the flat roof option is somewhat lower.

Note that the estimates have been made on a gross basis and do not include leaseholder contributions

	Charles Bradlaugh	Circular Road	Holcombe	Robert Burns	Scales Road
30 yr NPV - Flat	262,564	116,532	155,083	312,892	127,073
30 yr NPV - Pitched	325,872	149,798	233,193	379,661	144,936
Difference	-63,308	-33,266	-78,110	-66,768	-17,863



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Against this must be set the additional risks of vandalism and guarantee invalidation for flat roofs which would increase the cost of that option. Members must consider whether the pitched roof option represents the best economic value to the council overall taking into account all the advantages and disadvantages of both options.

7 Head of Legal Services and legal implications

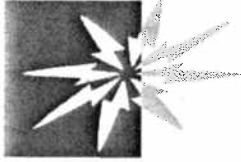
- 7.1 New leaseholder consultation notices will be sent to all of the five blocks set out in paragraph 3.3 of this report. Those notices will be approved by Legal Services.
- 7.2 Subject to the approval of those notices, the Head of Legal Services is satisfied that the costs of the works will be recoverable from leaseholders with a lease that allows for the recovery of the cost of improvement works.
- 7.3 As noted at paragraphs 5.2.20-5.2.24 above it is probable (but not certain) that the costs of the works will also be recoverable from leaseholders with repair only leases, provided that the council can establish that the pitched option provides better value for money over the life cycle of the roof.
- 7.4 This is a key decision and the Directorate has confirmed it is on the Forward Plan.
- 7.5 Subject to the comments in paragraphs 7.1 - 7.3 above the Head of Legal Services sees no legal reasons preventing Members from approving the recommendations in the report.

8 Equalities and Community Cohesion Comments

Not applicable.

9 Head of Procurement Comments

- 9.1 The option to convert to a pitched roof from a flat roof is noted by the Corporate Procurement Unit (Construction Procurement Group).
- 9.2 However any further discussions for future works beyond these programmed works should be supported by a robust Life Cycle Costing model which includes all costs including main contractors cost (profit, overheads, preliminaries including scaffolding), sub contractors and



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suppliers, consultants fees and other ancillary fees such as planning and building control. Maintenance figures also need to be challenged particularly for the initial years of each installation and replacement.

9.3 It is recommended that the life cycle report as referred to at paragraph 5.2.1 and 5.2.18 is produced by an independent Quantity Surveyor for any future procurement and options appraisals.

9.4 We note the variation to the Decent Homes Programme.

10 Policy Implication

10.1 There is no defined policy on whether roof replacements should be on a like for like basis in all cases. The report highlights that each case has to be considered on its own merits and justified on value for money or other grounds as set out in the report.

10.2 The policy assumptions that underpin the HRA 30 Year business plan are being reviewed in line with ongoing work on stock investment options and future Decent Homes standards. It is important that the roof replacement issue is considered as part of that work and an approach formalised to inform future programme planning.

11 Reasons for Decision

11.1 The proposed virements to the Decent Homes programme will increase the resources available for improvements to residents' homes, in line with Council priorities and the need to reduce the number of non-decent homes within the borough.

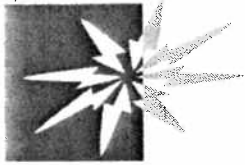
11.2 The commitment of reserve schemes and potential additional works will enable the Decent Homes programme to proceed without further delay and minimise the risk of slippage.

11.3 The change from flat to pitched roof replacement for the five blocks in question, if agreed, will provide a saving over the 30 year lifecycle and a better visual solution for these blocks.

12 Use of Appendices

Appendix 1 – Capital Programme Summary at Period 5

Appendix 2 – Proposed Programme Virements



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13 Local Government (Access to Information) Act 1985

Background Paper:

Report of the Executive Director of Property Services, Homes for Haringey, on Flat to Pitched Roof Conversions (24 September 2012)

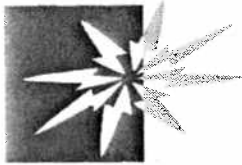


Appendix 1 Capital Summary at Period 5

HRA CAPITAL PROGRAMME August Period 5	Current Budget £000s	YTD Budget £000s	YTD Actual £000s	Current Month Accrual £000s	YTD Variance £000s	Forecast Outturn £000s	Forecast Variance £000s	Comments
H207 Estate Improvement	250	0	0	0	0	247	-3	Full spend projected
H211 Structural Works	600	157	45	0	-112	486	-114	Projected underspend to be journalled into the Decent Homes budget
H212 Extensive Works Voids	1,350	27	3	0	-24	337	-1,013	Responsive programme underspend projected due to the number of voids expected. Projected underspend to be journalled into the Decent Homes budget
H214 Energy Conservation	100	0	7	7	14	100	0	Full spend projected
H215 Boiler Replacement	3,500	968	1,039	0	71	3,500	0	Full spend projected
H216 Capitalised Repairs	4,563	1,293	986	0	-307	4,563	0	Full spend projected
H218 Lift Improvements	2,181	0	5	0	5	2,089	-92	Projected underspend to be journalled into the Decent Homes budget
H229 Decent Homes Standard	25,322	2,508	2,266	911	669	25,746	424	The projected overspend has reduced due to the delay in obtaining approval. The overspend will be offset by the journals from other budgets.



HRA CAPITAL PROGRAMME August Period 5	Current Budget £000s	YTD Budget £000s	YTD Actual £000s	Current Month Accrual £000s	YTD Variance £000s	Forecast Outturn £000s	Forecast Variance £000s	Comments
H235 Asbestos Removal	100	27	39	0	12	100	0	Full spend projected
H240 Saltram Close	467	178	143	5	-30	346	-121	Underspend projected due to projected savings
H241 Major Works Conversions	550	54	7	7	-40	522	-28	Full spend projected
H243 Mechanical & Electrical Works	1,250	186	161	21	-4	644	-606	Lateral mains works to be transferred Decent Homes programme and £475k to be journalled to the Decent Homes Programme. Budget now contains the Digital TV projected spend.
H244 Professional Fees	1,508	427	0	628	201	1,508	0	Full spend projected
H245 Sewage & Drainage Works	0	0	2	0	2	2	2	Accrual from 2011/12 to be journalled
H248 Retained Hostels Borough Wide	0	0	0	0	0	-49	-49	Projected underspend due to savings within the project and the completion of the final account
H251 Projects	-	-	4	-	4	-	-	-
H252 Major Works and Accommodation (Lordship Lane Depot)	500	0	0	0	0	500	0	Full spend projected



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Appendix 2 Proposed Virements

HRA

	Original Budget	Approved Budget £000s	Projected Year Total as at period 5 £000s	Proposed Budget	Virement to Decent Homes
H207 Est Imp		250	247	250	
H211 Structural Works		600	486	600	
H212 Extensive Voids		1,350	337	637	713
H214 Energy Conservation.		100	100	100	
H215 Boiler Replacement		3,500	3,500	3,500	
H216 Capitalised Works		4,563	4,563	4,563	
H218 Lift Improvements		2,181	2,089	2,181	
H229 Decent Homes Standard		25,322	25,746	26,641	
H235 Asbestos Removal		100	100	100	
H240 Saltram Close		467	346	346	
H241 Major Works Voids Convers.		550	522	550	
H243 Mechanical & Electrical		1,250	644	644	606
H244 Professional Fees		1,508	1,508	1,508	
H245 Sewage & Drainage Works		-	2	2	
H248 Retained Hostels Brgh Wide		-	(49)	-49	
H250 TV & Digital Aerials		-	-		
H251 Projects		-	-		
H252 Major Voids & Accom.Lordship Lane		500	500	500	
H253 Supported Living Scheme		300	300	300	
H254 Adap & Refurbish 13 Camps		90	90	90	
H255 Adap of Office Acco		150	150	150	
Total HRA HFH Managed Budgets		42,781	41,181	42,613	1,319