



Haringey Council *

Agenda item:

[No.]

Overview & Scrutiny

On

01 October 2009

Report Title.

Review of the Decent Homes Programme Yr1, Report advising on the Call-in of a decision taken by Cabinet on 8th September 2009 known as Cab minute No. CAB 59 regarding proposals being considered to be outside the policy and budget framework.

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

P. Bolger
As Director. 25/9/2009

Wards(s) affected: **All.**Report for: **Key Decision.****1. Purpose of the report.**

1.1 To respond to matters raised in the call in of the report.

2. Introduction by Cabinet Member, Housing.

2.1 This report has been prepared by officers in full consultation with my office and it is my anticipation that the report will clear up the mis-apprehensions about the Year 2 to 5 Decent Homes programme.

3. Recommendations

3.1 That members note the response to the matters raised by the call in.

3.2 That the original report be received/endorsed.

Report authorised by: **Niall Bolger, Director of Urban Environment.**

Contact Officers :

Olatayo Akinfe, Executive Director of Asset Management,
Homes for Haringey. Tel: 020 8489 3272

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4. Reason for recommendation(s)

4.1 Background:

The Government set a target for all Local Authorities to bring their homes up to the Decent Homes Standard by 2010. As part of the drive towards achieving this standard, Local Authorities were required to undertake a Stock Options Appraisal, to be signed off by the Government Office for London by July 2005. Successful signoff was to be a key contributor to the scoring of the housing 'block' of the Council's CPA assessment. The options that were examined included:

- retention of the housing stock under Council ownership and direct management;
- retention of the housing stock under Council ownership with an arms length management organisation (ALMO);
- large scale voluntary transfer (LSVT) to either existing or new housing associations; and
- a hybrid or 'mix and match' solution, including the Private Finance Initiative.

The overall scope of the project looked beyond just the investment needs of the stock to include wider tenant aspirations in terms of service improvement, and opportunities for greater involvement in the management of their homes.

4.2 Stock Options Appraisal Steering Group:

An Independent Stock Option Appraisal Steering Group was established consisting of 11 tenants and leaseholders, (selected by a sub-committee of the joint council-tenants-leaseholders Housing Management Board, after advertising widely for volunteers), 2 Members (one from each of the two political parties on the council) and 2 senior officers. The Steering Group was chaired by an Independent Chair, Professor Steve Hilditch, (selected and appointed by the Housing Management sub-committee, following an advert) and met on a regular basis. Steering Group residents were supported by an Independent Tenant Advisor, John Newbury from Mouchel Parkman (appointed by them through a thorough selection process, from a wide shortlist of suitable candidates). The Steering Group examined the results of a comprehensive stock condition survey and a detailed financial analysis of each of the options. There were a number of 'evidence sessions' where MPs, Councillors, Officers, financial experts, residents and leaseholders who have experience of one of the options have attended to answer questions.

4.3 Regeneration, governance, housing need in the borough and the impact of each option on the Council as a whole were examined. The eight criteria under which each option was examined are as follows: -

1. The effects on tenants/residents rights and responsibilities
2. Council and housing finances, rents and charges
3. Investing in homes and achieving the decent homes standard
4. Tenant & resident involvement and accountability
5. Meeting housing need and improving choice
6. High quality services and strong communities
7. Cost, uncertainty and risks of each option
8. The impact on staff

4.4 Stock Condition Survey and developing a Haringey Decent Homes Standard:

The central aim of the various options for investment is to achieve **as an absolute minimum** the Government's Decent Homes standard and improve tenants' quality of life. The stock condition survey conducted by the Council showed that in May 2003 approximately 58% of the housing stock required some work in order to meet the decent homes standard and that, without substantial investment, most of the rest of the stock was likely to fail the standard over the next few years as components age and reached the end of their useful life. The survey demonstrated that the Council faced a major capital funding shortfall over the next few years, but also that if the necessary investment could be found the **long-term sustainability** of the housing stock would be achievable. The work carried out in 2003/04 as part of the capital and revenue programmes reduced the level of non decent homes to 55% as at 1/4/04. The current investment plans of the council envisage that this would be reduced by a further 20% of the stock by 1 April 2006, leaving behind the more expensive to deal with stock and also a range of other desirable features (such as sufficient external decorations programmes, other environmental works and the required cyclical maintenance investment to prevent further units falling below the standard in future years). The Steering Group and officers worked very closely with FPD Savills (consultants for the stock condition survey) on the question of standards. Essentially three standards were identified.

4.4.1 *Basic Standard:* This is the absolute minimum standard to meet the Governments 'Decent Homes Standard' which is not sustainable into the longer term and will fall well short of resident's reasonable expectations.

4.4.2 *Stock Condition Survey Minimum Standard:* This was developed by FPD Savills and agreed by the Steering Group. It represented the minimum recommended level of work which would not only meet the Decent Homes Standard but would also represent a sensible approach to asset management, including meeting the Council's statutory and contractual arrangements. All key components were included in this standard including windows; kitchens, bathrooms; etc plus an allowance for communal and environmental works broadly at the current level.

4.4.3 *Full Haringey Standard:* This was a standard developed specifically by the Steering Group for Haringey and is **what is considered reasonable**. This standard included:

- Warm and energy efficient homes
- Secure homes
- Homes that are safe and free from major disrepair
- Homes which meet the needs of residents and are fully accessible
- A safe and pleasant environment which people are proud to live in
- Homes with reasonably modern facilities

This was the optimum standard that the Council could aspire to **as its long term objective**. The essential difference between the Full Haringey Standard and the Stock Condition Survey Minimum Standard was that the Full Haringey Standard included additional provision for environmental works and an enhanced level of programmed renewals and improvements beyond that specified in the Decent Homes guidance (see Appendix 1 for full comparison).

4.5 At the Cabinet Meeting of 21 December 2004 it was subsequently minuted vide **TEX109. DECENT HOMES AND STOCK OPTIONS APPRAISAL** (Report of the Director of Housing - Agenda Item 14): as follows;

- We asked that our thanks to the Stock Options Appraisal Steering Group for the dedicated and systematic way in which they had conducted their work and produced their report be placed on record.

RESOLVED:

- That the Council be recommended to approve the recommendations of the Stock Options Appraisal Steering Group as set out below –
 1. The Council should retain ownership of the housing stock and set up an Arms Length Management Organisation (ALMO) so that it could bid for additional investment funds; a detailed bid would have to be prepared but the current estimate is that it would be for a minimum of £128 million;
 2. The whole stock should be managed by the ALMO but the Council should have a flexible approach to reviewing the need for additional investment at a local level or for a particular type of stock, or where there was a local demand from tenants: such proposals should be subject to further detailed appraisal and consultation;
 3. The Council should adopt the Stock Condition Survey Minimum Standard for the purposes of meeting the decent homes standard by 2010/11 and as the basis for the ALMO bid, but should also adopt the Full Haringey Standard as its long-term goal;
 4. As leaseholders would be responsible for their share of the cost of communal works under any option, the Council should take all reasonable steps to enable leaseholders to meet their obligations;

5. Summary (Matters raised in the call in)

Responses to the reasons for call-in are detailed below. The numbering follows the bullet points in the call-in request document.

5.1 The Cabinet has failed to consult adequately with leaseholders, residents and the Council on changes to the Decent Homes programme which have significantly changed the original cost and scope of the scheme.

5.1.1 Response.

5.1.1.1 The Decent Homes programme has gone through the Cabinet approval process. The original bid went through a significant consultation process and in November 2004 the Options Appraisal Steering Group produced a final report to the Council. All tenants and leaseholders were consulted during the options appraisal process and this has been maintained during the first year of the programme.

5.1.1.2 The Stock Option Appraisal process included consultation on the Full Haringey Standard as the Council's long term objective.

5.1.1.3 Full consultation with tenants and leaseholders has been carried out by Homes for Haringey and their contractor partners prior to commencement of every Decent Homes project.

5.1.1.4 The council made two successful applications to the Leasehold Valuation Tribunal in January 2007 the under the provisions of Section 20ZA of the Landlord and Tenant Act 1985 for dispensation in relation to consulting on the framework agreements in respect of carrying out of building works under the Decent Homes Initiative and for consultancy services for planning supervision, costs management and project management in relation to those building works.

5.1.1.5 This effectively meant the rather than consult on the frameworks as a whole, consultation was required on each individual package of works. These consultations have taken place on each package so that residents have been consulted on all of the works relevant to them.

5.1.1.6 Cabinet sat on 24th February 2009 and vide decision CAB140. resolved a framework for the entire Homes for Haringey Decent Homes Programme 2009-14, as presented by the Report of the Director of Urban Environment – **Agenda Item 15**: Approval was granted to the proposed Years 2-5 Decent Homes programme.

5.2 The Council decision making process has been deficient. The decision made by the Options Appraisal Steering group and approved by Council in January 2005 to adopt the "Stock Condition Survey Minimum Standard," which was the basis of the Decent Homes Bid, has been changed by stealth without agreement from the Council.

5.2.1 Response.

5.2.1.1 The Original Bid Document was based on Stock Condition Minimum Standard rather than the Full Haringey Standard, which sets out our further Decent Homes programme aspirations as a long term goal.

5.2.1.2 There are elements within the DCLG guidance that talk about the Decent Homes standard being the minimum, but that not representing the level at which all work should be carried out. It also refers to carrying out works to a sustainable level and considering the lifetime aspects of homes and carrying out work in a more environmentally sustainable way. This gives sufficient flexibility for local decisions to be made in terms of utilising Decent Homes resources where appropriate and subject to the availability of resources.

5.2.1.3 The Stock Condition Survey Minimum Standard was agreed the acceptable standard to base the current Decent Homes programme on, but also that in the longer term the Full Haringey Standard should be an objective.

5.2.1.4 Therefore where opportunities have arisen discretion has been used at an operational level in consultation with the contractors, relevant officers and the Cabinet Member for Housing to maximise value for money for the Council and achieve residents long term aspirations.

5.3 That the result of this change noted in clause 5.2 above has been, as the Homes for Haringey Gateway Report (1 June 2009) shows, that the Year 1 Decent "far exceeds the aforementioned standard" and that "items that exceed the stock condition minimum standard have been included in the scope of the works and become standard."

5.3.1 Response.

5.3.1.1 As stated in our response to 5.2 above local decisions have been made to best utilise Decent Homes resources to achieve the Council's long term objectives above the minimum basic decent homes standard where appropriate. However this does not imply that these items have been accepted as a standard. In fact, lifecycle cost analysis is often used and often results in decisions that prevent items becoming standard.

5.3.1.2 Homes for Haringey follows best practice in Asset Management putting forward works for approval within the programme in accordance with the agreed procurement process. Procurement Committee Board reviews and approves all the works that go forward on the basis of work packages. The packages that have been approved have had minimal changes and where this has happened, it has been accepted for good reasons.

5.4 That these extras were not included in the original bid for funding and as the Gateway Report goes on to say, "are not funded under the programme."

5.4.1 Response.

5.4.1.1 See answers to 5.2 and 5.3 above. Some 'catch up repairs' and certain aspects of priority deferred schemes that do not qualify for government funding under the DCLG Decent Homes expenditure guidelines have been resourced from other funding sources that the Government provides to all Councils to meet their day-to-day landlord obligations (e.g. Major Repairs Allowance and Supported Capital Expenditure). However, it is considered value for money to execute these works whilst Decent Homes work is on-going to take advantage of economies of scale, achieve 'best value' and cause minimum disruption to residents.

5.5 That therefore the decision to install pitched roofs and digital aerials has created a potential £26m shortfall in the funds available to achieve the original objectives of the decent homes programme.

5.5.1 Response.

5.5.1.1 The Council established a new Decent Homes Board in June 2009 to monitor the programme and at its first meeting requested that an independent review of the Decent Homes programme to date. This is good practice and an external consultant has been commissioned (by the Decent Homes Programme Board) to review from baseline as at 2005 through to date. The Consultant is an associate of the Housing Quality Network a leading housing consultancy that was engaged in the development of Haringey's original Decent Homes building cost model and that has wide experience in this sort of work. This report will be submitted to the Board on **9th October 2009**.

5.5.1.2 The provision of digital TV upgrades to meet the Government's analogue signal switch off requirement is not being funded from the Decent Homes programme. The work to upgrade communal TV aerials to digital was ongoing prior to the approval of the Decent Homes programme (as the initial switch off date was anticipated to be as early as 2010). There is therefore a separate budget within the housing capital programme for this work. Where possible this work is completed at the same time as decent homes works, again to cause minimum disruption to residents.

5.6 That this in turn jeopardises future investment under Decent Homes in subsequent years and has meant that the Council has used other sources of funding (Major Repairs Fund) which will impact on existing landlord obligations to other Council tenants.

5.6.1 Response.

5.6.1.1 See answers to 5.4 and 5.5 above. The Council's plans and the Council's decent homes bid, made assumptions about the use of Major Repairs Allowance and Supported Capital Expenditure to support the Decent Homes Programme that were included in the Original Bid Document to the DCLG.

5.6.1.2 Decent Homes is only part of the HRA capital programme and future investment under the Decent Homes programme is not necessarily jeopardised by previous decisions.

5.6.1.3 The Major Repairs Allowance (MRA) received each year through subsidy is always used each year to fund the capital programme. In the past two financial years we have been in the position to take additional decent homes funding allowances at year end and therefore reduce the use of the MRA in the funding statement. This has always been on the proviso that that decent homes allocation in the next year is reduced by the same amount, and the MRA in the reserve is used to fund the difference. The previous use of MRA in this way does not impact on other obligations.

5.6.1.4 Based on the report to the Decent Homes Board at the end of July the Consultant referred to above, is updating the data from the original bid taking into account the changes that have occurred in the construction market and to the level of inflation, plus other savings made to ensure that the programme is on track to deliver and if possible, to deliver some resident's aspirations to the full Haringey Standard, where possible.

5.6.1.5 This will take into account that the provision of IRS will be met within the £3m budget identified for the digital swap-over during the course of the four year capital programme.

5.7 That the procurement of the IRS system has been shown as inadequate meaning taxpayers can have no faith in the Council's procurement of the whole Decent Homes project.

5.7.1 Response.

5.7.1.1 A full and transparent procurement exercise under European regulations was undertaken with VFM exercises being integral to the exercise HfH has on record a full chronological summary of procurement exercise with dates and figures, which can be supplied on demand.

5.7.1.2 VFM reviews are an ongoing process. Due to the costs a separate procurement for IRS was undertaken during the summer which has reduced the required funding to within that contained within the proposed capital programme budgets for the next three years. This is not funded from Decent Homes capital resources.

5.8 That the Cabinet decision on 8th September to ratify the decision of the Housing Management Board in 2005 is flawed as the Housing Management board did not have decision making power. This means that the Cabinet cannot ratify the decision and should instead explain who did make the decision.

5.8.1 Response.

5.8.2 In the answer to 5.6 above it was explained that the work to upgrade communal TV aerials to digital was ongoing prior to the approval of the Decent Homes programme. At its meeting on 8th September 2009 Cabinet confirmed and agreed that the existing specification for upgrading communal aerials should continue to be used throughout the borough.

6. Chief Financial Officer Comments.

6.1 The Cabinet decision to proceed with the programme for years 2 to 5 was based on the appropriate level of resources being available to fund the originally agreed standard and that improvement works would also be considered where appropriate and subject to funding being available. A new, higher level standard for Decent Homes has not been adopted.

7. Head of Legal Services Comments.

7.1 The Head of Legal Services has been consulted in the preparation of this report and has contributed to the responses so far as possible in the time available. A representative from the Legal Service will attend the Committee to assist with any legal or constitutional issues that arise.

8. Recommendation.

8.1 That Members note the responses to the 8 issues raised in the Call-in, in considering the merits of the follow on Variation of Action Proposed.

9. Use of appendices /Tables and photographs.

9.1 **Appendix 1** - Comparative Tables – Decent Homes Guidance

Appendix 1.

DECENT HOMES STANDARD

EXAMPLE 2 - 3 Bed House

<u>Defects</u>	<u>Basic standard</u>	<u>Stock condition survey minimum standard</u>	<u>Full Haringey Standard</u>
<u>Kitchen old and in need of replacing</u> -	Essential repairs only to individual properties. No complete replacement to individual properties unless kitchen becomes <u>unfit in accordance with the fitness standards</u>	<u>Will be replaced when kitchen reaches 20 years old with a modern kitchen unless work is needed beforehand</u> because unfit. Street/estate approach.	<u>Will be replaced when kitchen reaches 20 years old with a modern kitchen unless work is needed beforehand</u> because unfit. Street/estate approach.
<u>Bathroom old and in need of replacing</u> -	Essential repairs only to individual properties and fittings.	<u>Will be replaced when bathroom becomes 30 years old with a modern bathroom unless work is needed beforehand</u> . Street/estate approach.	<u>Will be replaced when bathroom becomes 30 years old with a modern bathroom unless work is needed beforehand</u> . Street/estate approach.
<u>Windows old and in need of repair</u> -	Will be repaired only unless replacement unavoidable. If replaced will be on individual window/property basis only	<u>Will be replaced with double glazed units when work becomes necessary</u> on a street/estate basis	<u>All single glazed windows to be replaced with double glazing irrespective of condition</u> on a street/estate basis (except in a conservation area where secondary glazing may be used instead).
<u>Defective roof</u> -	Repairs only unless <u>replacement is the only solution</u> . individual roof/property basis only	<u>Will be replaced when work becomes necessary</u> on a street/estate basis	<u>Will be replaced when work becomes necessary</u> on a street/estate basis. Flat roofs to be replaced with pitched roofs where feasible
<u>Electrics old and in need of repair</u> -	Will be replaced unless <u>life can be prolonged by repair / partial replacement</u> . Dealt with on an individual property basis only	<u>Will be replaced when work becomes necessary</u> on a street/estate approach	<u>Will be replaced when work becomes necessary</u> on a street/estate approach
<u>External Environment</u> -	Repairs only picked up as <u>part of day to day maintenance</u> Very limited resources for improvements on estates	Repairs only picked up as <u>part of day to day maintenance</u> Limited resources for improvements on estates	Items such as fencing, gates, paths will be <u>replaced as and when required</u> . Provision also <u>made for environmental improvements</u>
<u>Front / Back doors</u>	Will be repaired only unless replacement unavoidable. If replaced will be on individual window/property basis only	<u>Will be replaced with modern and secure doors, when work becomes necessary</u> on a street/estate approach	<u>Will be replaced with modern and secure doors, irrespective of existing condition</u> on a street/estate approach

We also sought advice from the Community Housing Task Force of the implications of adopting the Basic Standard. At the Steering Group, their representative commented that he had not come across another Council that had considered achieving decency in such a minimalist way and that he thought the Government Office would have great difficulty in signing off an options appraisal based on such a low standard even if it technically complied with decency. This would be because it would not be seen to be either a workable or a sustainable solution for the long term.

DECENT HOMES STANDARD**EXAMPLE 1 - 3 Bed Flat - 7th Floor**

<u>Defects</u>	<u>Basic standard</u>	<u>Stock condition survey minimum standard</u>	<u>Full Haringey Standard</u>
<u>Kitchen old and in need of replacing</u> -	Essential repairs only to individual properties. No complete replacement to individual properties <u>unless kitchen becomes unfit in accordance with the fitness standards</u>	<u>Will be replaced when kitchen reaches 20 years old with a modern kitchen unless work is needed beforehand</u> because unfit.	<u>Will be replaced when kitchen reaches 20 years old with a modern kitchen unless work is needed beforehand</u> because unfit
<u>Bathroom old and in need of replacing</u> -	Essential repairs only to individual properties and fittings.	<u>Will be replaced when bathroom becomes 30 years old with a modern bathroom unless work is needed beforehand</u>	<u>Will be replaced when bathroom becomes 30 years old with a modern bathroom unless work is needed beforehand</u>
<u>Windows old and in need of repair</u> -	Will be repaired only unless replacement unavoidable. If replaced will be on individual window/property basis only	<u>Will be replaced with double glazed units when work becomes necessary on a block basis</u>	<u>All single glazed windows to be replaced with double glazing irrespective of condition, on a block basis</u>
<u>Electrics old and in need of replacing</u> -	<u>Will be replaced unless life can be prolonged by repair / partial replacement.</u> Dealt with on an individual property basis only	<u>Will be replaced when work becomes necessary on a block approach</u>	<u>Will be replaced when work becomes necessary on a block approach</u>
<u>External door old and in need of replacing</u> -	Will be repaired only unless replacement unavoidable. If replaced will be on individual window/property basis only	<u>Will be replaced with modern and secure doors, when work becomes necessary on a block approach</u>	<u>Will be replaced with modern and secure doors, irrespective of existing condition on a block approach</u>
<u>No door entry system to block</u>	<u>Will not be provided</u>	<u>Will not automatically be provided unless a priority</u>	<u>Will be provided in all cases</u>
<u>Lift old and in need of repair</u> -	<u>Minimum repair necessary to keep the lift in service.</u> Replacements limited to approx. 2 blocks per year	<u>Minimum repair necessary to keep the lift in service.</u> Replacements limited to approx. 2 blocks per year	<u>Will be replaced / upgraded as part of a fully funded planned preventative maintenance programme</u>
<u>No security cameras on estate</u>	<u>None will be installed</u>	<u>None will be installed unless agreed as a priority against other limited estate improvement funding</u>	<u>Will be provided where deemed appropriate</u>
<u>External Environment</u> -	<u>Repairs only picked up as part of day to day maintenance.</u> Limited resources for improvements	<u>Repairs only picked up as part of day to day maintenance. ALMO funding would provide 5% additional for environmental works (approx £6-7 million).</u>	<u>Items such as fencing, gates, paths will be replaced as and when required. Provision also made for environmental improvements. Scope for significant estate remodelling</u>