

Report Title: Homes for Haringey bid for decent homes funding

Report of: Anne Bristow, Director of Social Services

Wards(s) affected: **All**

Report for: Decision

1. Purpose

1.1 For the Council to consider negotiating an extension to the deadline for the delivery of decent homes with DCLG.

2. Introduction by Executive Member

- 2.1. The report recommends seeking an extension to the deadline for completing the DHS works.
- 2.2. This is a difficult decision, since the delay could be construed as going back on the promise to deliver 100% DHS by the end of 2010. However I believe that it would be possible to work out the detailed planning of the works to ensure that we still deliver our promise on the DHS, ie allowing only residual and non-DHS works to remain in the final year.
- 2.3. There may also be some complications about the framework contracts we are working on (which I understand could be overcome, subject to confirmation from the Council's Head of Procurement).
- 2.4. However the most compelling reason for accepting the recommendation is that discussions with Civil Servants have convinced our officers that our bid would stand a better chance to secure a larger amount of resources if we accept spreading the costs over an extra financial year.
- 2.5. On this basis (and subject to the confirmation of the comments of the Head of Procurement) I concur with the recommendations.

3. Recommendations

- 3.1 That the council gives Homes for Haringey authority to negotiate the decent homes deadline with DCLG.
- 3.2 That the final bid document is agreed by the Director of Social Services, the Lead

Member for Housing and the Chair of the Homes for Haringey Board.

Report Authorised by: Anne Bristow, Director of Social Services

Contact Officer: **Bob Watts, Executive Director of Building Services, Homes for Haringey, 6th Floor River Park House, Wood Green, Tel 0208 489 1762**

4. Executive Summary

4.1 The announcement of the bids for Round 6 arms length management organisations on 7th June 2006 included reference to the possibility of extending the deadline for delivery of decent homes. This report considers the options for an extension for Haringey. The bid must be submitted by 31st July 2006 so a decision is required to allow Homes for Haringey sufficient time to negotiate with DCLG.

5. Reasons for any change in policy or for new policy development (if applicable)

5.1 The report seeks a decision in pursuance of the Council's decision on 20th December 2005 to bid for funding to achieve the decent homes target of 2010.

6. Local Government (Access to Information) Act 1985

Background Documents Used

- Supplement to the Guidance on Arms Length Management – June 2006 – published by Department for Communities and Local Government.
- Haringey Housing Stock Survey 2003
- Press Release – 7th June 2006 - Department for Communities and Local Government.
- Draft bid document – December 2005.

7. Background

7.1 The Council has already agreed a draft bid in the sum of £228m and this was submitted to the (then) Office of the Deputy Prime Minister in December 2005, together with the Section 27 application to establish Homes for Haringey. The draft bid is structured to ensure delivery of the decent homes standard by 31st December 2010, which is in accordance with the Government's target.

8. Description

8.1 On 7th June 2006, the Government announced the arrangements for Round 6 bids. The announcement made reference to the possibility of relaxing the constraint of 2010 in a limited number of cases “for those local authorities engaged in or wishing to pursue major transformations of their estates or where it is clear that we could secure better communities, and so better long term value for money by taking a little longer”

In addition the Supplement to the Guidance on Arms Length Management issued on 9th June 2006 states that “the proposed works programme may be of whatever length the local authority considers appropriate. The profile of the programme should take account of the capacity of the local building industry and of contractors to meet the requirements of all housing providers in the area and surrounding region, and should as far as possible avoid the risk of inflating contract prices by excess competition for scarce capacity”.

8.2 The potential benefits of applying for an extension to the 2010 deadline for Haringey can be summarised as follows:

- Better value for money may be secured – constructors may prefer to have the flexibility of delivery over a longer period. In a very busy market, they will have longer to secure favourable supply chain arrangements and their potential workload will be increased thereby improving their security as a business. This could result in generating better tendered rates. In addition, quality could be improved by carrying out the work over a longer period as there will be more time to ensure that the required standards are met.
- Allowing more time will improve the prospects of delivery on some of the benefits from the programme, other than completing the work itself, such as employment, training and community involvement
- More resources could be secured. This will be subject to negotiations with DCLG. For example, using the base 2003 stock survey figures and advice from our consultants (Housing Quality Network Services), an additional £27m could be bid for if the programme was extended by 2 years to 2012. In addition, this would boost the resources for environmental improvements which are based on 5% of the decent homes bid amount e.g. an additional £1.35m using the £27m above. Further detail on the additional costs arising in 2011/12, 2012/13, 2013/14 are set out in Appendix One. The base stock survey costs will need to be updated.
- More residents will benefit from the programme as it will include those properties which fall out of decency from 2011 onwards.

The possible disadvantages include the following:

- Residents have been ‘promised’ decent homes by 2010. The purpose of an extension would be to enable the work profile to be smoothed over a longer period which would inevitably mean that some residents would have to wait longer for works to be completed to their homes.
- Although an extension would generate a possible increase in resources, as exemplified above, this could be partially offset by inflation if actual building cost inflation runs at a higher level than that allowed for by the government in their allocation to Haringey.

- The current management agreement for Homes for Haringey runs to 31st March 2011, with an option for the Council to extend this by up to a further 5 years. However, should the Council decide not to exercise this option, any extension to the decent home programme of one or more years beyond 2010 would result in the need for revised delivery arrangements from 1st April 2011.

It is recommended that a bid is placed to achieve the decent homes target by 2010 and further negotiations take place with DCLG after the submission date in July 2006. Further advice following a conference with DCLG was that there will be an expectation on Councils to extend the deadline date to ensure expenditure is profiled effectively and to enable authorities to maximise value for money.

9. Consultation

Due to the time constraints residents will not be fully consulted on the possibility of extending the decent homes deadline.

For information this report will be presented as follows:

Homes for Haringey Executive Management Team	28 June
Homes for Haringey Finance Committee	28 June
Chief Executive Management Board	4 July
Executive Advisory Board	11 July
Homes for Haringey Board	11 July
Executive	25 July

10. Summary and Conclusions

10.1. There do appear to be benefits from applying for an extension to the delivery of decent homes in Haringey. The main benefits are that there is a real prospect that better value for money could be achieved and that more residents could be included in the programme.

There is a major constraint however in respect of the length of the framework agreement for the works delivery which limits the use of the partners appointed in January 2007 until December 2011. A new procurement exercise could be carried out to cover later years but this may not be as attractive as the first agreement because the work content would be lower and may therefore not attract competitive bids, impacting on value for money.

It is therefore recommended that the bid be submitted based on a programme covering 4 financial years from 2007/08 to 2010/11 and that further negotiations take place with DCLG on the possibility of completing the works by 31st December 2011. That is, a one year extension on the current target.

11. Recommendations

11.1 That the council gives Homes for Haringey authority to negotiate the decent homes deadline with DCLG.

11.2 That the final bid document is agreed by the Director of Social Services, the Lead Member for Housing and the Chair of the Homes for Haringey Board.

12. Comments of the Director of Finance

12.1 The financial implications of the proposed course of action are adequately set out in the body of the report, including a risk assessment in the form of an analysis of the advantages and disadvantages (including financial) of the recommendation. The Director of Finance has no further comment.

13. Comments of the Head of Legal Services

13.1 Any extension beyond the end of 2011 would require a new procurement exercise to be carried out to appoint constructor partners. Advice from Trowers and Hamlins is that the maximum duration for the framework agreement allowed under European Union law is 4 years. The current programme is for the agreement to commence in January 2007 and it will therefore expire in January 2011. It will however be possible to award work for the 2011 calendar year prior to January 2011 thereby effectively extending the duration of the proposed constructor programmes to 31st December 2011. The specific advice from Trowers and Hamlins is at Appendix Two.

14. Equalities Implications

14.1 The extension of the programme by one, or more, years will enable more residents to benefit from the programme. However, the waiting time for works completion will be longer for some.

15. Use of Appendices / Tables / Photographs

15.1 Appendix 1 - Table of Value of 'Potential Fails' from 2011
Appendix 2 - Legal advice from Trowers & Hamiln regarding duration of framework contracts

APPENDIX ONE

Table of Value of 'Potential Fails' from 2011 – stock survey base (not uplifted)

2011/12						
HEATING	ROOF & EXT WORKS	WINDOWS & DOORS	REWIRE	KITCHEN	BATHROOM & PLUMBING	
£1,984,795	£4,105,677	£4,999,500	£1,023,900	£2,215,500	£1,250,600	£15,579,972

2012/13						
HEATING	ROOF & EXT WORKS	WINDOWS & DOORS	REWIRE	KITCHEN	BATHROOM & PLUMBING	
£2,094,870	£4,364,494	£5,167,200	£1,097,400	£2,369,500	£1,357,040	£16,450,504

2013/14						
HEATING	ROOF & EXT WORKS	WINDOWS & DOORS	REWIRE	KITCHEN	BATHROOM & PLUMBING	
£2,048,975	£4,379,494	£6,208,000	£1,000,350	£2,324,000	£1,372,240	£17,333,059

The 'total' figure for 2011 /12 of £15.579 millions is based upon the 2003 Stock Condition Survey prepared by Savills in 2003 as unaltered base values. The figures are required to be uplifted for inflation, cost adjustment of rates, preliminary costs, fees and provisional sums. The original schedules of rates have been uplifted by 194% to arrive at final outturn costs on a programme ending December 2010. If inflation beyond 2010 is allowed this may increase slightly more. Additional costs of works of circa £30.2 million would arise if the programme was extended to end of 2011 on the basis of Homes for Haringey standards. Similar range additional sums apply each year after that. The potential costs would be lower on the basis of minimum decency levels.

If works are required to be extended beyond Jan 2012, then the framework agreements for constructor partners and compliance teams would need to be re-tendered under EU procurement rules. The cost of that tender exercise might be in the order of £100k unless other framework agreements can be utilised.

If a re-tender is required then there will be risks associated with the tendered rates that might be received and the cost of tender that is built into those rates. The contract may be short with little opportunity to achieve value for money in the same way that the first agreement should deliver.

The tendered rates will depend on market conditions at the time of tendering and the duration of the agreement. If the Council / Homes for Haringey is able to extend the scope of the re-tendered agreements to include works beyond the completion of the Decent Homes programme and work required by other departments of the Council, then those costs may be mitigated.

APPENDIX TWO

Legal advice from Trowers & Hamilns regarding duration of framework contracts

“The length of a call-off contract is not specifically limited by the Regulations and OGC Guidance anticipates that towards the end of the term of any Framework Agreement, an individual call-off may be let extending beyond the term of the Framework Agreement itself.

As to how long this last call-off can be, OGC Guidance suggests that the length of this final call-off contract should not distort competition or circumvent the Regulations. It quotes as an example that it would be difficult to justify the last call-off being 12 months in length when the normal pattern for call-off contracts under the Framework itself had been one month at a time. I believe the same applies if the last call-off were 24 months when the normal pattern had been 12 months.”

Since it is the intention to agree annual programmes in advance with each constructor partner, a final call-off of 12 months for Jan to Dec 2011 would be consistent with the above advice.