

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06/09/2021

Subject: Housing Revenue Account (HRA) 12 year Asset Management Capital Strategy

Report of: Cabinet Member for Housing – Councillor Lisa Homan

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Responsible Director: Emily Hill – Director of Finance

Summary

This report sets out an HRA Asset Management Capital Strategy (the Strategy) detailing the spending priorities for the twelve-year period between 2022/23 and 2033/34, priorities that represent £728.6m of capital spend. The purpose of the Strategy is to inform the four-year Capital Programme budget that will be submitted for Full Council approval in February 2022. The Strategy will inform every subsequent annual revision of the Capital Programme budget for the duration of the 12 year Strategy period, subject to annual reviews of the Strategy.

The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing. The programme of capital investment will deliver housing assets that residents can be proud of and that will serve as a foundation for healthy, happy lives. We know that poor quality housing has a huge impact on physical and mental health and can impede people from reaching their full potential. Addressing structural damp and mould issues a key theme of this strategy. The programme will deliver 21st century assets that are fit for the future. Many of the projects detailed in the Strategy involve new windows, kitchens and bathrooms, things that we know make a big difference to resident quality of life.

The main headings of the Strategy are:

- Fire Safety
- Structural Safety
- Asset Replacement
- Disabled Adaptations
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

The number one priority of the Strategy is health and safety and compliance. While safety and compliance come first, every capital project covered in this programme will be designed to maximise the impact on reducing carbon emissions. Wherever possible works will use methods and materials that improve energy efficiency and will be increasingly delivered as part of comprehensive whole-home retrofit schemes. The programme features more than £100m specifically earmarked for decarbonisation projects, to be supplemented by other financial mechanisms as they become available and government funding bids.

A capital programme of this size presents significant opportunities to leverage additional Social Value, in terms of increased local employment, apprenticeships and opportunities for local suppliers. When procuring contracts to deliver the capital works described in this Strategy, we will follow the Council's Social Value Policy in order to maximise the Social Value commitment from contractors. Here we will build on recent experience of commissioning £75m of capital spend and achieving a Social Value commitment of 15.1% (c£11m), which will primarily be achieved through local supply chain, local employment and apprenticeships. If 10% Social Value can be achieved across the entire capital programme it would represent c£73m of Social Value.

These new works are different to the current four-year programme due for completion in 2024/25 covering Major Refurbishments, Fire Safety, Lifts, Boilers, Structural Safety, Electrical, Voids and Miscellaneous schemes.

Recommendations

It is recommended that Cabinet:

1. Approves the HRA 12 year Asset Management Capital Strategy detailed in this report.
2. Approves the Procurement Strategy, as described in appendix 2, for five contracts to support the delivery of the first phases of the 12 year HRA Asset Management Capital Strategy.
3. Delegates authority to the Strategic Director for The Economy, in consultation with the Cabinet Member for Housing, to amend or make changes to the proposed packaging of projects in the Procurement Strategy, as described in appendix 2, for operational reasons, where such amendments can be contained within the overall approved budget envelope and available resources.
4. Notes that the Strategy be reflected in the four-year Capital Programme Budget that will be submitted for Full Council approval in February 2022. The Strategy will inform every subsequent annual revision of the Capital Programme budget for the duration of the 12 year Strategy period, subject to annual reviews of the Strategy.

Wards Affected: All

| Our Values | Summary of how this report aligns to the Hammersmith and Fulham (H&F) Values |
|---|--|
| Building shared prosperity | The Council's number one priority is the safety and welfare of all its residents. This programme will remedy building defects and improve energy efficiency. |
| Creating a compassionate council | There is extensive potential for job creation in the borough, bringing highly skilled, technical, and high paying job opportunities, as well as apprenticeships for those looking to upskill. The programme has been designed after considering every aspect of health and safety to ensure our residents are at the forefront of our intentions. |
| Doing things with local residents, not to them | We will actively engage with residents to ensure they are aware of the projects and their benefits. The Tenant and Residents' Association (TRAs) will also be informed and given opportunity to comment on the proposed works. |
| Being ruthlessly financially efficient | The works will be tailored to deliver the best value for money and will be procured through competitive tender exercises, ensuring quality standards and value for money are achieved. The expectation is that there will be an improvement in stock condition and therefore a medium-term reduction in repairs and maintenance costs. |
| Taking pride in H&F | These works will improve the condition of the Council's housing stock and have health and wellbeing benefits for our tenants. |
| Rising to the challenge of the climate and ecological emergency | The Council aims to be net zero carbon by 2030. Housing accounts for 35% of the Council's direct and indirect emissions, mostly through the use of gas for heating and hot water. This Strategy makes a substantial stride towards the net zero target, providing for retrofitting with energy efficiency measures and low-carbon heating, along with other energy saving measures such as LED lighting. In so doing, it will also deliver higher comfort and lower bills for tenants. |

Financial Impact

This report sets out plans for a significant 12-year asset management investment programme that is predominantly health & safety and compliance based. The report also includes a programme of climate emergency investment. The two programmes cover the period 2022/23-2033/34 and are estimated to cost a combined £728.6m at today's prices before recovery of estimated recharges. If approved, the above sum would replace the existing compliance capital budget for the 3-year period 2022/23-2024/25 set out in the Compliance and Asset Management Strategy as approved by Cabinet at its meeting in December 2018.

The funding of the compliance programme (£622.1m) will be met from Housing Revenue Account long-term borrowing and estimated recharges. The climate change investment (£213m) is assumed to be funded by 50% borrowing/recharges

and 50% government grant although at this stage no grant funding has been identified/awarded. The figure of £106.5m is the amount we aspire to obtain via multiple grant applications over the next ten years. Scope for the servicing of the above loans (i.e. interest costs) is expected to be met by a combination of revenue savings and growth in income generating assets from the new build affordable housing development programme included in the latest draft HRA Business Plan.

This programme therefore places significant additional revenue costs and therefore pressure on the financial sustainability of the HRA. This is affordable within the current business plan modelling but requires significant additional savings to be made within the HRA of c.£4.9m (equivalent to 5.5% of total HRA Revenue expenditure in 2021/22) and includes a number of important assumptions which will need to be kept under close review. Specifically, the affordability of the 12 year programme proposed is predicated on:

- Maintenance of an ongoing sustainable minimum HRA General Reserve balance of £4m. This will require **a further annual revenue saving of £4.9m from 2022/23** in addition to the £3.8m already identified as part of the previous target of £5.7m.
- Future rent increases in line with published guidance; currently CPI +1% until 2024/25 inclusive.
- Development programme benefits (in terms of rental income and shared fixed costs) from new build social housing progressing in line with the programme reflected in the draft business plan.
- Recovery of recharges of at least £103m.
- Reduction in ongoing maintenance costs flowing from this investment; currently assumed as a modest 1% per annum, reduction from year seven for five years, amounting to a cumulative c.£1.25m reduction in the annual base cost of c.£25m.
- Reduction in accommodation charges of HRA staff following return to the new Civic Campus.
- Continuation of low medium-term interest rates.

All of the above are necessary to ensure a sustainable General Reserve position in the HRA. A targeted level of £10m by 2030/31 is included in the draft HRA Business Plan which is seen as the minimum required to provide cover for contingencies and emerging risks (such as Covid resurgence, government rent policies, abortive development costs etc). These issues are reviewed more fully, including key sensitivities in the draft HRA Business Plan. The HRA Business Plan covers a 40 year time period and seeks to ensure the sustainability of the Housing Revenue Account over that period. The 12 Year HRA Capital Strategy clearly has a significant impact on the 40 year plan. Critically, if any of the above assumptions are not delivered or offset by other means, further savings would be required to fund the full proposed programme.

Whilst compliance and safety issues are the key priority, without the proposed investment, housing stock units could become unlettable if not fit-for-purpose leading to lower rental and service charge income.

Risks and Key Sensitivities

By its nature a 40-year business plan has multiple interacting assumptions and risks. As such, stress testing a selection of these shows the strength and resilience of the plan to withstand given changes in assumptions that may be experienced over time. Testing has been undertaken on three key assumptions of new development, rent regulation and interest rates.

New Development: Building additional homes not only provides much needed affordable housing for the boroughs' residents but is also a key factor in the HRA's future viability. If new build developments ceases completely an additional £800,000 savings above the base model savings requirement of £4.9m would be required. Without development the HRA's general reserve balance would be c.£170m less by year 40 of the Business Plan, demonstrating its' significant contribution.

Rent Regulation: Current government rent standard guidance is for an increase in rents of CPI +1% until 2024/25 inclusive which is used in the base case Business Plan. However, there is no guidance after 2024/25 and the base case uses CPI + 0.5%. However, if increases were limited to CPI only, this results in an additional £1.2m savings than the base case savings requirement of £4.9m. At the end of the 40-year period, the HRA balance would be c.£373m less than it would be if the rents had been maintained in line with the current formula (i.e. only £71m compared to £444m). This shows the plan's overall sensitivity to changes in statutory rent guidance - in this scenario, the removal of the current "plus element" in the rent guidance but still maintaining CPI increases.

Interest Rates: These are currently extremely low by historical standards due to the reaction of financial markets to the global economic situation and central governments pump-priming economies during the ongoing pandemic. The base case uses borrowing rates after consultation with the Council's Treasury advisors. However, there are growing signs that in reaction to inflation increasing above government targets that interest rates may will rise sooner than expected. The scenario assumes interest rates are increased by 1.5% for each year of the plan from year 3 onwards. The result is an additional £6.9m savings more than the base model savings requirement of £4.9m (i.e. an unaffordable total of £11.8m from 2025/26). At the end of the 40-year period, the HRA balance would be marginally better than it would be if interest rates had not been increased, this is due to the significant cumulative effect of early large annual savings and that once scheduled, financing costs, unlike income and other expenditure, are not affected by inflation. Interest rate movements will be monitored and amendments made to the Business Plan as necessary to ensure future sustainability.

There are many other risks that impact the HRA on a day-to-day basis, including, for example, rent collection performance, the benefits system, further health and safety requirements and grant availability for climate change works. The latter may also represent an opportunity for increased contributions towards the costs of any necessary expenditure relating to climate change.

Legal Implications

Recommendations 1), 3), 4)

There are no particular legal implications arising out of the recommendations for the approvals and delegations.

Recommendation 2)

The recommendation to approve the Procurement Strategy, as described in Appendix 2, for five contracts to support the delivery of the first phases of the 12 year HRA Asset Management Capital Strategy on the same model as the Responsive Capital contract, ie JCT Measured Term Contracts from which the Council can order work as and when needed via a series of Task Orders. There is no guarantee or warranty as to the number of orders placed under the Contracts. The contracts are to be for a period of 5 years with the option of extending them for 2 further periods, each of a year. The estimated value of each proposed contract exceeds the threshold for works contracts (currently £4,733,252) under the Public Contracts Regulations 2015 ('PCR'). Therefore, they must be procured in accordance with Part 2 of the PCRs, that is using one of the procedures set out in Part 2. This report recommends using the Competitive Procedure with Negotiation under regulation 29, one of the permitted procedures. The procurement will be run in stages with selection stage, initial tender stage and final tender stage. The tender documentation will include award criteria applied at each stage. At the Final Tender Stage, the evaluation criteria will be applied to determine the most economically advantageous tender.

Each of the contracts is a High Value Contract under the Council's Contract Standing Orders. For every High Value Contract, the SLT Member must establish a Service Review Team comprising: a Contract Officer, client-side officers, relevant stakeholders, and relevant professional officers (including legal, finance, procurement, IT and HR as appropriate). Once approval for the Procurement Strategy is granted in accordance with CSO 18, a Tender Appraisal Panel (TAP) must be established to take responsibility for managing all aspects of the procurement process.

The Council has adopted a Social Value Policy which applies to all its contracts above £100,000 and this requires that 10% of the total scoring is for social value which will be subject to assessment by an external assessor, a company called Social Value Portal. The requirements of the assessor and the Council's policy will need to be built into the tender competition. This report indicates that the procurement will take account of social value.

If the Contracts involve works to housing premises where the Council could make recovery of costs from recharges pursuant to s20 of the Landlord and Tenant Act 1985 the rights of the leaseholders must be taken into account when considering the competition for the works.

The decision to approve the strategies is a Key Decision (see Article 12 of the Constitution) and the report must be submitted to Committee Services for publication on the Council's website.

The Cabinet has authority to approve the Procurement Strategy.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. **Option 1:** Do not implement this 12 year HRA Asset Management Capital Strategy. This option is not recommended for the following reasons:
 - a. The Council has a duty to keep its residents safe and in compliant homes.
 - b. The Council has the option to invest less in its housing stock however this approach would lead to higher repairs and maintenance costs and would be a 'false economy' in the long term.
 - c. The Council has an ambition to reduce carbon emissions to net zero by 2030 and has stated that 'residents deserve a place that is safe, clean and green'.

2. **Option 2:** Carry out the Compliance based 12 year HRA Asset Management Capital Strategy of £622.1m, implementing the recommendations within this report, achieving:
 - a. Safe and compliant homes.

- b. Strategic long-term planning enabling effective maintenance of assets to achieve value for money in programming with synergies in delivery.
3. Although this option is recommended to meet the Council's commitment to ensure that our housing assets are kept safe and compliant, option 3 below is recommended to achieve this whilst delivering efficiencies to reduce carbon emissions to net zero by 2030.
4. **Option 3:** Carry out the Compliance and Climate Emergency based 12 year HRA Asset Management Capital Strategy of £728.6m, implementing the recommendations within this report, achieving:
 - a. Safe and compliant homes.
 - b. Strategic long-term planning enabling effective maintenance of assets to achieve value for money in programming with synergies in delivery.
 - c. The decarbonisation of housing stock, rising to the challenge of the climate and ecological emergency. The Council has an ambition to reduce carbon emissions to net zero by 2030 and has stated that 'residents deserve a place that is safe, clean and green'.
5. This option (3) is recommended because it not only meets the Council's commitment to ensure that our housing assets are kept safe and compliant but also ensures cost and programme efficiencies in the decarbonisation of our housing stock.

Compliance based Asset Management Strategy

6. The Asset Management Strategy (approved by Cabinet in December 2018) establishes how the Council will prioritise investment. The Strategy makes clear the Council's commitment to achieve a compliance-based asset management approach to its housing stock and through its capital programme deliver a higher standard of safety and compliance.
7. While safety and compliance come first, every capital project covered in this programme will be designed to maximise the impact on reducing carbon emissions. Wherever possible works will use methods and materials that improve energy efficiency and will be increasingly delivered as part of comprehensive whole-home retrofit schemes. The programme features more than £100m specifically earmarked for decarbonisation projects, to be supplemented by other financial mechanisms as they become available and government funding bids.
8. The current approved four-year plan due for completion in 2024/25 focusses on Major Refurbishments, Fire Safety, Lifts, Boilers, Electrical, Structural safety, Voids and Miscellaneous schemes. The schemes included in this revised 12 year HRA Asset Management Capital Strategy, as outlined in the below sections, are:
 - Fire Safety
 - Structural Safety
 - White City Estate

- Charecroft Estate Phase 2
- West Kensington Estate
- Asset Replacement
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- Disabled Adaptations

Fire Safety

9. In addition to the four-year capital programme approved in 2019, the additional works are identified to achieve fire safety and compliance across our housing stock which include means of escape, sprinkler systems, fire detection, removing combustible material, ventilation, partitions and emergency lighting.

| Name | Issue | Cost (£m) | Timetable |
|---|--|---|-------------|
| Additional works to legacy properties to make compliant | Fire doors, LED and safety works | 6.50 | 2024 - 2033 |
| Edward Woods Tower Blocks | Lobby works to 24 x 3 towers blocks ventilation and means of escape work | 4.00 | 2022 - 2023 |
| Edward Woods Tower Blocks | Upgrade of external wall system. Window and penthouse refurbishment to make safe. | 15.50 (£8.9m funding in existing programme) | 2022 - 2023 |
| Install sprinklers in all tower blocks | Administration commitment and new Government requirement | 20.00 | 2024 - 2033 |
| External Wall System works on 27 tower blocks | Replacement of combustible spandrel panels | 6.00 | 2024 - 2026 |
| Cheeseman's | Urgent means of escape, fire safety issues: 59 flats, internal partition works, fire doors and L1 fire detection | 1.00 | 2021 - 2023 |
| 100 plant rooms | Safety measures from emergency lighting to boarding out floors so that they are safe for engineers to enter | 1.75 | 2024 - 2027 |
| Charecroft* [Subject to ongoing review] | Window and spandrel panel replacement and external upgrade works | 12.00 (£16m funding in existing programme) | 2022 - 2026 |

10. Extensive works required to the Edward Woods tower blocks include:

- Installation of lobby doors and ventilation.
- Remedial works to the façade.
- Window and penthouse refurbishment to make safe.

11. Engineering firm Arup are finalising their investigative works to determine the overall scope of work that will be required. The Ministry of Housing Communities and Local Government requested funding toward the cost of the work at the Charecroft Estate and the Edward Woods Estate is unlikely to be approved and the full cost of remedial works have been allowed for in the 12 year programme.

12. Leaseholders will not be charged for fire safety related works in the programme in line with the Council's policy. The Council is committed to a policy of 'Fire Safety Plus' whereby the very highest possible standards of fire safety are always pursued fully funded from Council resources.

Structural Safety

13. In addition to the four-year capital programme approved in 2019 addressing key safety and compliance work around gas, electrical, asbestos and water, the below additional structural works have been identified:

| Name | Issue | Cost (£m) | Timetable |
|-------------------------------------|---|------------------|------------------|
| Becklow Gardens & Emlyn Gardens | Structural safety works to balconies, soffits and roof details | 7.80 | 2022 - 2024 |
| Mackay House | Structural safety works to balconies, soffits and roof details | 1.75 | 2024 - 2025 |
| 60+ estates | More than 60 estates have been identified to date that have concrete/steel structural issues | 56.00 | 2024 - 2033 |
| Cranbury Street terraced properties | Identified structural issues requiring strengthening of roofs and rebuilding of upper window arches | 2.50 | 2024 - 2026 |

Disabled Adaptations

14. The Council has an independent living strategy which states that:

Independent living means Disabled people living in the community with the same choices, control and freedom as any other citizen, with the removal of barriers to equality of opportunity, and where any practical assistance is based on Disabled residents' choices and aspirations. Independent Living is not just about 'social care' and it does not mean Disabled People doing everything for themselves.

15. Sometimes people need additional support. Adaptations are a key enabler of this, it is important that this remains at the forefront of the Councils priorities.

16. Adaptations are carried out to support residents to live safely and independently within their existing homes. This investment is an important part of how the Council's pursues its commitment to Equality and Diversity as it helps disabled residents to realise their full potential. Co-production with disabled residents is at the heart of the Aids and Adaptations service – working closely with residents to understand their unique needs and deliver the most effective solutions.
17. The scope of works ranges from handrails to level access showers and stairlifts. Funding of £1.2m per annum, rising to £1.3m in 2027/28, is included in the Strategy to allow the adaptation programme to continue and meet the expected increased demand in the future.

White City Estate

18. There are 46 housing blocks on the White City Estate providing 1,968 homes. These buildings are post war structures and are aged and suffer from major structural defects, resulting in the spalling of concrete and significant cracks and rotting steelwork. They suffer from excess cold, condensation, damp and mould problems estate wide. Analysis of the housing stock to meet H&F's 2030 zero carbon target highlights that this estate accounts for the largest emission of carbon in the Borough. It also means residents are paying more to heat their homes, adding to resulting in fuel poverty for many.
19. The Asset Management Team, Property Team, Compliance Teams and Climate Emergency Unit have compiled a major works programme to remedy these urgent safety building defects, remedy category 1 hazards as required in law, help tackle fuel poverty and decarbonise the estate to meet the 2030 zero carbon target and extend the life of the stock for another 30 to 40 years.
20. The Strategy includes £50m funding for the major works programme at White City Estate and consist of the following:

- Category 1 Hazards
- Structural safety repairs
- Ventilation
- Heating (including alternative to gas)
- Doors/Windows
- Fire Safety
- Insulation
- Roofing
- Drainage
- Water infrastructure

West Kensington Estate

21. Certain important external works on the West Kensington Estate were expected to be covered the Conditional Land Sale Agreement (CLSA) estate regeneration

programme, which ultimately did not proceed. Therefore, those external works, including new windows, have been included in this Strategy.

22. There will be opportunities for further investment in 2022/23 which closely relate to the Climate Emergency goals. These opportunities would be supported with grant funding from BEIS and the GLA.

- a) The innovation project, EnergieSprong, to update 27 Council homes to a net zero standard is being completed in 2021/22. Depending on the success of this and approval of a business case, the next stage would commence in 2022/23. The goal of this next step would be to apply the same approach to an apartment block on the estate.
- b) 'Future neighbourhoods' funding is available from GLA and aims to support investment in disadvantaged and climate vulnerable areas. West Kensington is seen as a possible area for funding. Various projects could be supported relating to housing, energy and biodiversity. No such grant funding has been factored into this Strategy; however this may represent an opportunity. Including Climate Emergency spend in our capital programme means that we are well positioned to take advantage of grant funding opportunities at short notice.

Charecroft Estate Phase 2

23. Charecroft Phase 1 is currently on site and includes:

- Fire Doors/Compartmentation
- Door Entry
- LED Lighting
- CCTV
- Lifts

24. This Strategy includes the Charecroft Phase 2 works:

- Replacement windows and infill panels
- Roof
- External/structural repairs
- Sprinklers

25. The work is more complex due to the location of the blocks, making site access difficult. Replacement of the windows would address issues of fire safety with panels and problems of poor installation when the windows were previously fitted. Owing to the issues of the previous window replacement and Fire Safety issues linked to the panels which are part of the window, the Council has committed not to recover costs from leaseholders for the specific work of installing windows.

26. All the blocks are leased by the Council, with 57 and 85 years remaining on the leases with two different freeholders. Such major works require freeholder permission which needs to be agreed as per the terms of the lease which is currently being reviewed.

27. Installing windows at Shepherds and Bush is more complicated as they are surrounded by a shopping centre that restricts access to enabling works. Further feasibility work is required with specialist technical consultants programming and planning of the work. Due to the two locations, it is proposed to split the project into 2 – Shepherds and Bush and Roseford and Woodford.

Asset Replacement

28. This Strategy proposes to replace the below assets coming to the end of their life and which are at risk of no longer being maintainable and serviceable. Such proactive replacement will prevent the loss of these critical services to maintain the compliance of our stock and health of our residents.

| Name | Issue | Cost (£m) | Timetable |
|---|--|------------------|------------------|
| Lateral Mains to majority of blocks but at least 70 | Over 40 years old and require replacement | 21.00 | 2024 - 2030 |
| 30 commercial boilers | Upgrades due to asset age | 10.00 | 2024 - 2028 |
| Commercial boilers | Enhancement to maintain boiler running | 1.00 | 2024 - 2026 |
| Booster pumps to transport water in tower blocks | Replacement of aged water distribution in tower blocks | 0.50 | 2024 - 2026 |
| Windows | Window replacements which were last replaced over 30 years ago | 70.00 | 2024 - 2033 |
| Lifts | Renewal of lifts and associated works | 10.00 | 2022 - 2033 |
| Miscellaneous | Including CCTV | 1.50 | 2024 - 2025 |
| Decent Homes programme | Including Kitchens and bathrooms | 32.50 | 2024 - 2033 |

29. With the Decent Homes programme ceasing in 2010 all the internal works will over the life cycle of this Strategy, require refurbishment.

30. Officers are constantly reviewing boiler technology and markets to find alternatives to gas. Replacement boilers will always be much more efficient than the assets currently in use and the Council will look to find the most sustainable solutions.

Stock condition surveys and fees

31. The information from these surveys commencing in July 2021 for two years will enable the Council to plan its longer-term investment decisions which maximise the value of investment on capital works.

32. The surveys will allow us to analyse data of the condition of the dwellings and blocks and focus on key areas such as doors, windows, ventilation, rainwater goods, insulation, etc. The data from the surveys will be stored on the Asset Management Database and will be used for multiple purposes such as planned maintenance, cost planning and energy data intelligence.
33. Resident safety is paramount and therefore we will be carrying out a HHSRS (Housing Health and Safety Rating System) survey at each dwelling and block. This survey will pick up any risks to resident safety and we have mechanisms in place for reporting any concerns immediately. These matters will then be processed and actioned by the Asset Management and Customer Service teams.
34. Under the HHSRS there is a legal requirement to review housing stock against 29 defined hazards from excess cold to carbon monoxide. It is a legal requirement to address Category 1 hazards. Under the Homes (Fitness for Human Habitation) Act 2019 residents can take action against the Council for failure to address Category 1 Hazards within their homes.
35. This Strategy includes £50m to address the above, subject to findings/results of stock condition surveys due to commence in July 2021.
36. Data gathered from the Stock Condition Survey will also help plan programmes of retrofit for decarbonisation.

Climate Emergency

37. The Council's housing accounts for 35% of its total emissions and is a priority area that the Council can directly influence through retrofit programmes. Three quarters of CO2 emissions from homes come from heating and hot water, mostly powered by gas. To achieve net zero, the majority of H&F's homes must be retrofitted with energy efficiency measures, and gas boilers replaced with low-carbon heating such as air-source heat pumps, by 2030.
38. H&F Council can influence this through:
- Investment in retrofitting Council homes. This will reduce the borough's emissions and grow the market for retrofit, driving down cost.
 - Energy planning and investment to bring about district heating networks.
 - Information and incentives to homeowners and landlords encourage retrofit.
 - Enforcement of Minimum Energy Efficiency Standards for landlords.
39. £213m has been identified as required to decarbonise our housing stock. This Strategy costs of 50% at £106.5m with a view to bidding for government funding and in achieving cost and programme synergies of carrying these works out in conjunction with the other works identified.

| Name | Issue | Cost (£m) | Timetable |
|------------------|--------------|------------------|------------------|
| Feasibility work | Surveys and | 2.00 | 2022/23 |

| | | | |
|---|---|-------|-----------|
| | feasibility studies | | |
| Energiesprong (whole-house retrofit) pilots | Whole-house retrofit in West Kensington Estate | 19.38 | 2022-2024 |
| Future carbon reduction projects | Capital works to improve the energy efficiency of the Council's housing stock, building on the whole-home retrofit pilot in West Kensington | 85.12 | 2024-2031 |

Estate Improvements

40. £7.5m has been allocated to estate/environmental improvements that will allow us to carry out works as per the table below:

| Scheme | Cost (£m) |
|---------------------------------------|-----------|
| Garages | 1.00 |
| Community Halls | 2.00 |
| Neighbourhood and Estate Improvements | 4.50 |

41. Garages and community halls across the Borough need refurbishment. The roads within a number of estates have become potholed over time and resurfacing is required.

Capitalisation

42. In addition to the programmed work carried out by the Delivery Team within the Economy Department there are other areas of expenditure that may be included in Capital Works.

43. Repairs Contracts

Responsive repairs contractors carry out works which may be capitalised including kitchens, bathrooms and windows. This Strategy therefore includes £2m per annum for repairs capitalisation.

44. Voids

The works carried out in void properties prior to reletting include works that may be capitalised including replacing kitchens and bathrooms. This Strategy therefore includes £1.2m per annum for repairs capitalisation relating to voids.

45. DLO

The Direct Labour Organisation (DLO) carries out repairs to communal areas across the Borough and is expected to increasingly carry out Planned, Preventative Maintenance which may be included in capital expenditure. The nature of the works will include roofs, drainage and scaffolding allowing the expenditure to be capitalised, this Strategy includes £1.5m per annum for DLO.

46. Gas

The Leader's Urgency Decision report 'Gas Servicing & Maintenance' dated 7 May 2020 anticipates an annual capital expenditure of £2.469m. This Strategy therefore includes £2.469m per annum gas capitalisation.

47. Electrical

The Leader's Urgency Decision report 'Electrical Servicing' dated 7 May 2020 anticipates an annual capital expenditure of £1.86m. This Strategy therefore includes £1.86m per annum for electrical capitalisation.

48. Procurement support

To support the procurement of contractors required to deliver the first phases of the Strategy it is proposed that a specialist procurement officer be recruited to work exclusively on the HRA Capital Programme, and that their full salary costs be 100% capitalised (£150k over two years). As well as carrying out procurement exercises the officer will also support the contract administration of the contracts procured – particularly the preparing of specific works orders.

Estimated recharges

49. Leaseholders are required to contribute to the cost of qualifying major works as per the terms of their lease which are expected to include:

- Asset Age
- Health
- Estate Improvements
- Climate Emergency works
- Structural Safety

50. The anticipated recovery is based on the percentage of leaseholders set at 29% with a 5% allowance for non-rechargeable elements and a further 4% for bad debt. The anticipated leasehold recovery of 20% is set out in Table 1 in Appendix 1 below.

Reasons for Decision

51. The Council is the responsible landlord for 16,851 homes across H&F. The resources required to maintain this housing stock are significant and therefore a strategic approach to long-term investment is needed to ensure we achieve the Council's objectives.

52. The Council's number one priority is the safety and welfare of all residents. This programme will ensure the Council delivers against this duty of care towards its residents by following a compliance-based approach in investment decisions about the housing stock.

53. The Council has an ambition to reduce carbon emissions to net zero by 2030 and has stated that 'residents deserve a place that is safe, clean and green'. This programme will ensure efficient decarbonisation works of our housing stock.

Equality Implications

54. There are no direct equalities implications in relation to this report. The primary purpose of the Capital Programme is to ensure all of our social housing tenants are able to live in homes that are safe. Each capital project will have specific impacts and the potential to impact on tenants with protected characteristics (particularly elderly and disabled people). These impacts will be considered in the Procurement Strategy for each specific project when they come to be procured.

Risk Management Implications

55. The Council needs to put in place an appropriate capital programme to invest in its housing stock, including a range of safety works and to respond to the stock condition survey findings. The capital programme will enable the Council to meet its objectives, keep its tenants and leaseholders safe and ensure it is compliant with relevant statutory requirements and insurers expectations for maintenance and repairs

56. In line with its ruthlessly financially efficient priority, the Council also needs to demonstrate that all works carried out under the capital programme are subject to appropriate competition, in line with Council policies and statutory requirements. This will help to demonstrate and deliver value for money in managing and maintaining its housing stock to an appropriate standard. Officers will need to ensure that robust arrangements for monitoring and reporting expenditure to management and Members for works being delivered from approved capital schemes to ensure that they are being managed within in the available financial envelope.

57. It is essential that appropriate programme and client management resource and governance arrangements are put in place and that the programme risks are reviewed and managed by the appropriate governance board. The programme risk register needs to include key interdependencies with other delivery and change programmes both within housing and across the Council, and the mitigations which need to be put in place to minimise impact on meeting the objectives of this and other programmes.

58. Officers will need to ensure that leaseholder consultation requirements are fully complied with prior to the decision to award specific works so that all eligible works carried out under the contracts can be fully recharged to leaseholders.

59. Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, telephone 020 8753 2587.

Climate and Ecological Emergency Implications

60. The Strategy includes £106.5m over ten years for capital works aimed at tackling the Climate Emergency. This would primarily involve works to improve the energy efficiency of the Council's housing stock, building on the whole-home retrofit pilot that will take place in West Kensington at the end of 2021. More than a third of the Council's carbon emissions come from heating our housing stock so this additional capital spend is a crucial part of the Council's Climate strategy.
61. When the Council procures contractors to deliver any of the capital works within the capital programme, officers will seek to procure solutions that minimise carbon emissions – through carefully designed specifications and evaluation criteria and employing the full potential of the Council's Social Value methodology.
62. Implications verified by: Jim Cunningham, Climate Policy Lead, Environment, 07468 365829

Other Implications

Procurement

63. The Procurement Strategy in Appendix 2 describes a first phase strategy designed to equip the Council with sufficient provider options to be able to deliver the works scheduled to start in 2022/23, whilst maintaining a high degree of flexibility to change the mix and use of provider as circumstances require, including the addition of supplementary providers. It involves the procurement of five contracts designed on the same basis as the Responsive Capital contract that was awarded in May 2021. This procurement exercise was able to attract a significant number of major national construction/maintenance firms and was a highly competitive exercise, resulting in bids that scored highly for quality and offered what are considered to be good value prices. The expectation is that the strategy will similarly deliver good value providers for the first phase of the Capital Programme.
64. The procurement exercises will be carried out by the Governance and Commissioning team within the Economy department. This team has experience of high value procurement – having delivered the suite of Long Term Housing Repairs contracts and the Responsive Capital contract.
65. Implications by: William Shanks, Head of Contract Governance (Economy), 0781 858 1911

Consultation

66. The Council is committed to putting residents at the heart of their capital compliance strategy. Subject to Cabinet approval, officers will undertake a rigorous consultation process involving residents, groups, stakeholders and others.

Public Health

67. Research shows that one in five homes present a risk to health and wellbeing, particularly from excess cold and falls.
68. The impact on physical health is clear, for example damp surroundings cause respiratory diseases or a broken stairwell can lead to trips and falls. But poor housing also has a serious bearing on mental health and wellbeing, particularly cold homes, unsuitable homes and overcrowded homes.
69. Covid 19 has brought health inequalities to the front of people's minds, one of the greatest contributors to this is poor housing. This Strategy enables the Council to have a strong foundation in our fight against Covid and our ability to improve population health and wellbeing.
70. Implications by: Linda Jackson, Director COVID-19 response & recovery, 07776 673085

Local Economy and Social Value

71. This large capital programme will adhere to the Council's Social Value policy which requires a minimum of 10% in social value outcomes. Commissioners should be seeking increased local employment, apprenticeships and opportunities for local suppliers. A key growth opportunity for future employment centres around green jobs and addressing the climate emergency. There are skills shortages in this area as well as a lack of awareness amongst residents around the types of jobs which will be available. Local training providers should also be engaged by the suppliers to support development of relevant curriculum. Commissioners are requested to engage with the economic development team to ensure that contractors can support greater access and awareness to green sector jobs and to facilitate contacts with local training providers.
72. Although this opportunity has been identified as being most suitable for larger contractors due to complexities and managing risk, it is essential that local firms are supported to access supply chain and subcontracting opportunities. Commissioners will need to work with contractors and the economic development team to facilitate engagement and awareness sessions as well as support local supply chain initiatives.
73. Implications by: Kamal Motalib, Head of Economic Development, 07773353914

List of Appendices:

- | | |
|-------------------|---------------------------------------|
| Appendix 1 | List of schemes with estimated budget |
| Appendix 2 | Procurement Strategy |

Appendix 1 - List of schemes with estimated budget

Table 1: Summary - profile of the 3 options and estimated re-charges

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | Totals |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|
| | £m | | | | | | | | | | | | |
| Existing Budgeted AMP | 33.7 | 27 | 28 | | | | | | | | | | 88.7 |
| New AMP (including existing HRA committed capital & new work) | 60.9 | 60.2 | 75.1 | 49.8 | 60.8 | 61.8 | 50.3 | 47.0 | 44.0 | 39.0 | 39.3 | 34.0 | 622.1 |
| New AMP (with above climate emergency for decarbonising housing) | 68.5 | 74.0 | 85.3 | 59.8 | 70.8 | 71.8 | 60.3 | 57.0 | 54.0 | 44.0 | 44.3 | 39.0 | 728.6 |
| Anticipated recharges | 10.3 | 10.6 | 12.9 | 8.2 | 10.4 | 11 | 8.8 | 8.1 | 7.7 | 5.6 | 5.6 | 4.7 | 103.9 |

NB: Recharges are based on 20% of all non-fire safety, disabled adaptations and repairs capitalisation

Table 2: Compliance based categories with forecasted spend (beyond existing committed HRA Capital Budget of £87m)

| Category | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 | 2033/34 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | <i>£m</i> | | | | | | | | | | | | |
| Fire Safety (excl Charecroft) | 9.50 | 10.00 | 5.40 | 5.40 | 5.45 | 3.25 | 3.00 | 3.00 | 2.50 | 2.5 | 2.75 | 2 | 54.75 |
| Structure Safety | 5.00 | 2.80 | 3.80 | 4.10 | 6.25 | 5.00 | 5.00 | 7.50 | 7.50 | 7.50 | 7.50 | 6.00 | 67.95 |
| White City Estate | 2.50 | 5.00 | 7.50 | 7.50 | 12.50 | 15.00 | 0.00 | 0.00 | 0.00 | | | | 50.00 |
| Charecroft Estate P 2 | 1.50 | 4.00 | 6.50 | | | | | | | | | | 12.00 |
| Asset Age and Replacement | 0.60 | 1.10 | 11.50 | 13.57 | 17.26 | 19.50 | 20.75 | 17.75 | 15.50 | 10.2 | 10.2 | 8.97 | 146.90 |
| SCS & further findings | 1.00 | 1.50 | 2.00 | 5.00 | 5.00 | 5.00 | 7.50 | 5.00 | 5.00 | 5.00 | 5.00 | 3.00 | 50.00 |
| Estate Improvements | 1.00 | 1.50 | 1.30 | 0.70 | 0.75 | 0.50 | 0.50 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 7.50 |
| Disabled Adaptations | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 15.10 |
| Repairs Captilisation (DLO, Electrical, Gas, Voids, Repairs, Procurement Support) | 3.50 | 5.10 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 78.60 |
| | 25.80 | 32.20 | 46.20 | 44.47 | 55.41 | 56.55 | 45.05 | 41.80 | 39.05 | 33.75 | 34.00 | 28.52 | 482.80 |

Table 3: Climate Emergency

| Category | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------|
| Climate Emergency | 7.60m | 13.78m | 12.16m | 12.16m | 12.16m | 12.16m | 12.16m | 12.16m | 12.16m | £106.50m |

Table 4 - List of works with forecasted spend

| Name | Type | Issue | Cost (£m) | Timetable |
|---|-------------------------|---|------------------|------------------|
| Lateral Mains to majority of blocks but at least 70 | Asset Age & Replacement | Over 40 years old and require replacement | 21.00 | 2024 - 2030 |
| 30 commercial boiler schemes | Asset Age & Replacement | Required upgrades due to asset age | 10.00 | 2024 - 2028 |
| Commercial boiler | Asset Age & Replacement | Enhancement to maintain boiler running | 1.00 | 2024 - 2026 |
| booster pumps to transport water in tower blocks | Asset Age & Replacement | Replacement of aged water distribution in tower blocks | 0.50 | 2024 - 2026 |
| Windows | Asset Age & Replacement | Window replacement Last replaced over 30 years ago | 70.00 | 2024 - 2033 |
| Lifts | Asset Age & Replacement | Renewal of lifts and associated works | 10.00 | 2022 - 2033 |
| Additional works to legacy properties to make compliant | Fire Safety | Fire doors, LED and safety works | 6.50 | 2024 - 2029 |
| Edward Woods Tower Blocks | Fire Safety | lobby works to 24 x 3 towers blocks ventilation and means of escape work | 4.00 | 2022 - 2023 |
| Edward Woods Tower Blocks | Fire Safety | Upgrade of external wall system. Window and penthouse refurbishment to make safe. | 15.50 | 2022 - 2023 |
| Install sprinklers in all tower blocks | Fire Safety | Administration commitment and new Govt requirement | 20.00 | 2024 - 2027 |
| External Wall System works on 27 tower blocks | Fire Safety | Replacement of combustible spandrel panels | 6.00 | 2024 - 2026 |
| Miscellaneous | Asset Age | including CCTV | 1.50 | 2024 - 2025 |
| Cheeseman's: | Fire Safety | Urgent means of escape, fire safety issues: 59 flats, internal partition works, fire doors and L1 fire detection | 1.00 | 2024 - 2026 |
| 100 plant rooms | Fire Safety | Required safety measures from emergency lighting, to boarding out floors so that they are safe for engineers to enter | 1.75 | 2024 - 2027 |
| Charecroft Phase 2 | Fire Safety | Window and spandrel panel replacement and external upgrade works | 12.00 | 2022 - 2024 |

| Name | Type | Issue | Cost (£m) | Timetable |
|---|---------------------------------------|---|---------------|-------------|
| White City | Health | Condensation, damp and mould – ventilation, drip details, heating, windows and insulation | 50.00 | 2022 – 2027 |
| Becklow & Emlyn | Structure Safety | Structural safety works to balconies, soffits and roof details | 7.80 | 2022 - 2024 |
| Mackay House | Structure Safety | Structural safety works to balconies, soffits and roof details | 1.75 | 2024 - 2025 |
| 60+ estates | Structure Safety | Identified to date with concrete/steel structural issues | 56.00 | 2024 - 2029 |
| Cranbury Street terraced properties | Structure Safety | identified structural issues requiring strengthening of roofs and rebuilding of upper window arches | 2.50 | 2024 - 2026 |
| Allocation to SCS findings | Compliance, Safety, Asset Replacement | Identification of risks to resident safety | 50.00 | 2022 - 2033 |
| Decent Homes | Asset Age | Kitchens, Bathrooms etc.. | 32.50 | 2024 - 2033 |
| Disabled Adaptations | Safety | Adaptations recommended by Occupational Therapists | 15.10 | 2022 - 2033 |
| Neighbourhood, Environmental and Estate Road Improvements | Estate Work | Improvements to estates and refurbishment of garages | 7.50 | 2022-2031 |
| IT | | IHMS installation | 0.33 | 2022 - 2023 |
| Total | | | 404.20 | |

Summary indicating breakdown of expenditure by work and capitalisation

| Item | Cost (£m) |
|----------------------|---------------|
| Works | 404.20 |
| Works capitalisation | 78.60 |
| Staff capitalisation | 50.60 |
| Climate change | 106.50 |
| Existing programme | 88.70 |
| Total | 728.60 |