

Cabinet

5 DECEMBER 2011

**CABINET MEMBER
FOR HOUSING**

*Councillor Andrew
Johnson*

HOUSING CAPITAL PROGRAMME 2012/13

All Wards

This report sets out the proposed 2012/13 Housing Capital Programme of £35.733 million and seeks authority to proceed with the various schemes identified

CONTRIBUTORS

HRD
EDFCG
ADLDS

**HAS A EIA BEEN
COMPLETED?
YES**

**HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES**

Recommendations:

- 1. That the projects and schemes identified in this report that form the 2012/13 Housing Capital Programme to the value of £35.733 million be approved, subject to appropriate consultation, equalities assessment and contract approval for individual projects.**
- 2. To note and approve the level of resource forecast (See Table 1) and to approve a contribution of £8.820 million from the decent neighbourhoods pot to support the Housing Capital programme in addition to the normal resources.**
- 3. That authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director of Housing and Regeneration, to approve future amendments to the programme for operational reasons and where such amendments can be contained within the overall approved budget and available resources.**
- 4. That authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director of Housing and Regeneration, to approve contracts for individual projects where such expenditure can be contained within the overall approved budget and available resources**

1. BACKGROUND

- 1.1 The proposed 2012/13 housing capital programme seeks to meet the ongoing investment needs of the Council's owned and managed housing stock which comprises of nearly 13,000 rented homes and nearly 4,400 leasehold homes. The programme seeks to build on the achievements of the decent homes programme, maintaining the standard whilst addressing the residual backlog of works that were not covered by that programme. It does not cover the wider estate improvements that are covered by the Housing Estate Investment Plan and the Regeneration programme or new development.
- 1.1 Details of the proposed projects are given below. The projects and works identified have been the subject of a rigorous prioritisation exercise and represent broadly the minimum level of investment required to fulfil statutory obligations, to protect the health, safety and wellbeing of residents and to preserve the integrity of the housing stock. Appendix 1 presents a summary of the programme with further detail provided in Appendix 2. The budgets have been cash flowed to provide a reasonably smooth expenditure profile and to give flexibility depending on the realisation of resources.
- 1.2 The programme excludes any spending plans for 2013/14 onwards other than commitments expected to be entered into during 2012/13 which will be the first call on future resources.

2. DETAILS OF PROPOSED PROJECTS

- 2.1 The programme has been broadly divided into four categories as follows:

- Priority 1: Contractual commitments
- Priority 2: Statutory requirements, health and safety works, salaries capitalisation and capital works identified as part of the revenue maintenance programme (e.g on voids)
- Priority 3: Mechanical and electrical works; building structure
- Priority 4: Internal amenities, estate and block / property environment

2.2 Priority 1: Contractual Commitments

- 2.2.1 Committed Expenditure (£14,946k): This category includes contracts previously approved where outstanding commitments remain either because works are continuing on site or because final accounts have yet to be settled. The category also includes projects commenced as part of the programme approved in April 2011 where specific contract approval is anticipated before the end of March 2012.

2.3 Priority 2: Statutory requirements; health and safety works; capitalisation

- 2.3.1 Fire Safety Improvements (£750k): A management plan has been developed for the delivery of large-scale improvements to the borough's housing stock

to comply with current regulations and best practice under The Regulatory Reform (Fire Safety) Order 2005 (the Order). Specific works are dependent on the recommendations of detailed fire risk assessments and guidance from The London Fire Brigade. Works within the plan may include the replacement of communal or flat entrance doors, compartmentalisation of roof voids, improvements to means of escape and the like.

- 2.3.2 Water Tank Replacements (£600k): A rolling programme replacing communal water tanks where the potential spread of legionella is identified as a risk during statutory biennial surveys. Works will also in some instances include the upgrade of loft spaces to ensure secure access and a safe working environment for operatives.
- 2.3.3 Disabled Adaptations (£800k): A programme delivering adaptations to the homes of disabled tenants in order to meet their needs and statutory entitlements. The programme is important in restoring or enabling independent living, privacy, confidence, and dignity for individuals and their families. The Government Office for Disability Issues has published research showing that the provision of housing adaptations and equipment for disabled people produces savings to health and social care budgets by reducing the need for admission to, or facilitating the earlier discharge from, residential care; by reducing the need for home care; and by prevention of accidents within the home. The proposed budget is set to meet current demand.
- 2.3.4 Water Pressure Boosters (£200k): Thames Water have been implementing a programme of pressure management which has affected water pressure to many flats above 3-storeys. The worst affected blocks have been prioritised and the proposed works in 2012/13 represent Phase 4 of an ongoing programme. Works will comprise the installation of new mains water booster pumps, new pipe-work and connections to the existing boosted & non-boosted mains water systems.
- 2.3.5 Landlord's Electrical Installations (£190k): This is an annual budget provision to ensure the safety and reliability of landlord's electrical installations and distribution systems. The 2012/13 allocation will be specifically targeted at Lancaster Court and the replacement of life-expired risers and distribution boards.
- 2.3.6 Capitalisation Works (£5,150k): The day-to-day running of the housing service will sometimes require works of a capital nature to be undertaken because circumstances mean they cannot be reasonably deferred to future planned programmes. Such work may include remedial works to address potential hazards, or to prevent deterioration of elements that would otherwise have a knock-on effect. The category also includes the refurbishment of void dwellings to ensure they remain in a lettable condition; the ad hoc replacement of defective central heating boilers; major asbestos removal or containment works; and essential works to estate roads and play equipment.
- 2.3.7 Capitalisation Salaries/IT (£1,750k): The delivery of the programme requires project managers and support staff which can be legitimately charged to

capital. Investment is also required in existing and new information technology systems to improve services and increase efficiency.

2.4 Priority 3: Mechanical and electrical works, building structure.

2.4.1 Communal Boiler replacements (£634k): Over 1,700 homes are connected to district heating systems. Many of the communal boilers supporting these systems are approaching or have exceeded the end of their economic lives and a phased programme of replacement is required to ensure residents continue to receive efficient and effective heating. The new boilers will be high-efficiency condensing models leading to cheaper fuel bills for residents and reduced levels of CO2 emissions.

2.4.2 Individual Boiler replacements (£750k) : A separate planned programme of individual boiler replacement is proposed which will target the least energy-efficient appliances. The boilers replaced are generally older models that are more costly to repair and difficult to source parts for.

2.4.3 Boiler Monitoring Systems (£40k): The installation of these systems will allow remote monitoring of district heating plant and enable the early detection of defects. A phased programme of installations is proposed.

2.4.4 Lift modernisation (£687k): The council's housing assets include over 200 passenger lifts generally serving blocks of six or more storeys. Many of these lifts have exceeded or are approaching the end of their useful life and are increasingly difficult to maintain due to obsolete parts. Lifts were not included within the decent homes standard and therefore their modernisation did not attract any additional funding. A ten-year programme of modernisation has been prioritised and individual sites identified for 2011/12 onwards. Due to the long lead-in time for the design and manufacture of lifts the 2012/13 schemes will not start on site until the latter part of the 2012/13 financial year.

2.4.5 Planned Maintenance (£4,914k): This programme will cover external and internal communal redecoration, and repairs relating to the building elements being redecorated on a number of properties as shown in Appendix 2. Works may vary considerably between properties and the stock involved will be surveyed to ensure that works are only carried out where necessary, the scope includes:

- Repair, overhaul or replacement of windows
- Repair, overhaul or replacement of external doors
- Repairs or replacement of fascias and soffits
- Repair, overhaul or replacement of rainwater goods
- Repairs or renewal of private and communal balconies, including balustrades
- Repair or renewal of wall and ceiling finishes
- Repair or renewal of stairwell coverings
- Redecoration of all previously painted surfaces

The wholesale replacement of major elements such as windows and roofs are provided for elsewhere in the capital programme. However isolated renewals are anticipated as part of this programme, and an officer monitoring group will be established to agree how best to deal with these as they are identified. Such renewals will be in low-maintenance materials, subject to planning constraints, to reduce future repair and pre-paint repair bills.

Consideration will be given to avoiding unnecessary expenditure on properties where all or most dwellings are leaseholder owned where possible, for example through sale of freeholds.

- 2.4.6 Window/roof renewal and fabric repair (£2,592k): The decent homes programme effectively tackled those blocks where windows and roofs exceeded recommended life-cycles and were in poor condition prior to 2010. The relatively small programme of window replacement and associated works proposed is primarily to sheltered blocks constructed in the early-mid 1980's, to prevent properties falling into non-decency as major building elements age and their condition deteriorates. Stock will be surveyed to ensure works are only carried out where necessary.
- 2.4.7 Controlled Access (£500k): A ten-year programme to replace ageing systems has been prioritised and individual sites have been identified for 2012/13. In addition, those blocks which do not currently benefit from controlled access will be considered for installation where it is technically feasible, cost-effective, and supported by residents. Creighton Close will be considered for inclusion in 2012/13.
- 2.4.8 Miscellaneous Plant & Equipment Renewal (£25k): This budget allocation is proposed to fund the unplanned replacement of mechanical and electrical plant such as communal laundries and communal extract fans.
- 2.5 Priority 4: Internal amenity, environmental works, miscellaneous
- 2.5.1 Minor Estate Improvement Programme (£270k) and Groundwork Environmental Programme (£200k): The Minor Estate Improvement Programme is an annual budget historically prioritised in conjunction with registered Tenant and Resident Associations and earmarked for improvements to the estate environment or tenant facilities. Schemes are considered and funding endorsed by each Local Area Housing Forum. The Groundwork Environmental Programme is an annual budget allocation prioritised by a tenant representative panel in partnership with Groundwork West London. The panel considers and endorses environmental improvement schemes submitted by TRAs which can include, for example, soft and hard landscaping of open spaces or provision of new play areas. The proposed comprehensive review of resident involvement is expected to incorporate consultation on both the MEI and Groundwork programmes and this budget is to provide for any replacement programmes.
- 2.5.2 Estates CCTV (£250k): The CCTV Steering Group have identified an annual budget requirement to continue the extension and upgrade of CCTV on

housing estates, a programme started in 2009. The estimated cost of works to the priority estates not yet completed is just over £2m.

- 2.5.3 Commercial units (£100k): A programme of fabric repair and essential health and safety works is required to ensure the remaining HRA shops portfolio is maintained to a good standard, thereby facilitating future lettings or potential disposals, as appropriate. As part of the review of the HRA commercial portfolio two properties were indentified for disposal to produce income to be reinvested in the retained portfolio to improve income. This will be the subject of a separate business case and is not included here.
- 2.5.4 Tenant and Community Halls (£100k): Tenant halls, also held within the HRA, require a programme of planned maintenance to ensure they are fit-for-purpose. The proposed budget provision is notional prior to a full financial appraisal of this portfolio.
- 2.5.5 Brought forward unforeseen works (£500k): This budget is proposed for unforeseen or emergency works that may arise during the year and where project substitution is not practicable, it will be allocated to specific projects in consultation with the Cabinet Member for Housing.
- 2.5.6 Energy Database (£50k): The existing asset management database has an option to include an energy efficiency module which will be invaluable for the production of various data for Government returns, supporting future bids for external grant funding, and informing future energy programmes. A detailed business case will be drafted before commissioning this work.

3. RESOURCES

- 3.1 The table 1 sets out the proposed funding for the programme:

Table 1

	2012/13	2013/14	2014/15	2015/16	2016/17
Resources	£'000	£'000	£'000	£'000	£'000
Major Repairs Allowance	16,020	16,565	17,126	17,703	18,146
Capital Receipts, Edward Woods new-build	5,103				
Capital Receipts, proposed expensive voids contribution	8,820	3,781	895	0	
Revenue Contributions		4,400	7,300	9,376	9,146
Leasehold Contributions	5,790	5,443	3,537	2,500	2,500
Other	0	0	0	0	0
Total Resources	35,733	30,189	28,858	29,579	29,792

- 3.2 The following points should be noted:

- The realisation of leasehold income is not straight-forward and there is a risk that income targets will not be met. Given this risk Finance and Corporate Services are liaising with Housing and Regeneration Department to regularly audit and monitor the level of leasehold contributions generated. Commitments will only be made against this resource as it becomes certain.
- Receipts from the sale of the twelve penthouse flats at Edward Woods should be considered high risk and therefore funds will not be committed against this resource until these receipts are certain. The flats will be marketed off-plan to maximise the certainty of sales receipts, however in the present property market this approach potentially reduces the price achieved depending on the type of buyer attracted. The marketing strategy and all aspects of the sale process will be closely monitored by the project board. Updates will be presented to members via the Corporate Capital Monitor and should an alternative approach be required a further report will be brought to Cabinet.
- Funding of £8.820m from the decent neighbourhoods fund is required for 2012/13, this has reduced from £14.867m in 2011/12. Again careful monitoring will take place to ensure commitments are only made against this resource as the funds received into the decent neighbourhoods fund become certain. This will include monitoring both the sales programme and capital allowances to ensure that 75% of these receipts do not have to be returned to central government. The capital programme resources are expected to be full derived from revenue by 2015/16.

4. RISK MANAGEMENT

- 4.1. Various risks associated with the delivery of the housing capital programme are included on the corporate risk register. Appropriate risk strategies will be developed for the programme overall and for specific projects.
- 4.2 Individual projects will be subject to separate, appropriate tender approval reports by Members or delegated officers. Recommendations for contract awards will include an assessment of the financial standing of successful contractors.

5. EQUALITY IMPLICATIONS

- 5.1 An Equalities Impact Assessment has been completed and is available on request.

6. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

- 6.1. The funding of the Housing Capital programme is set out in section 3 of this report. In line with setting a balanced budget for the Housing Capital Programme funding of £8,820m from the decent neighbourhoods fund is required for 2012/13, this has reduced from £14.867m in 2011/12. Housing Capital programme resources are expected to be fully derived from revenue by 2015/16.
- 6.2 There are a number of risks attached to the available resources and expenditure should not be committed against these until there is certainty that they will be received, further detail on these are set out in section 3 of this report. The amounts that will require careful monitoring are:
- Leaseholder income as the realisation of this is not straightforward,
 - £5,103k of resources from the sale of the Edward Woods penthouse flats
 - Funding of £8,820k from the decent neighbourhoods pot including monitoring capital allowances to ensure the sales receipts funding this are not caught by pooling regulations.
- 6.3 Progress on expenditure and resources for the programme will be reported to members as part of the regular monthly capital monitoring report and action will be taken where necessary to ensure that expenditure is adequately covered by available recourses

7. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 7.1. Legal Services have had the opportunity to contribute to this report and some comments have been incorporated elsewhere.
- 7.2. Where the Council has the power to pass on part of costs to leaseholders of flats and commercial units, the Council's fiduciary duty to council tax payers and others requires that this should be done unless there are sound objective reasons to justify not doing so. In the case of residential leaseholders, this will generally entail ensuring that advance notice is given in due time under Section 20 of the Landlord and Tenant Act 1985 so as not to prejudice the ability to recover, as well as considering possible application of statutory powers to waive or defer payment in cases meeting permitted criteria.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Housing Capital Programme Documents; Investment Planning Documents	Vince Conway x1915	Housing & Regeneration Department, 3 rd Floor, Town Hall Extension
2.	Housing Estates Investment Plan	Vince Conway x1915	Housing & Regeneration Department, 3 rd Floor, Town Hall Extension
CONTACT OFFICER:		NAME: Vince Conway EXT. 1915	