

## MUNICIPAL YEAR 2016/2017 REPORT NO. 31.

### MEETING TITLE AND DATE:

**Agenda – Part: 1**

**Item: 10**

**CABINET**  
**7<sup>th</sup> July 2016**

**Subject:** Housing Capital Works and “Decent Homes” funding programme 2016/17.

**Wards: All**

### REPORT OF:

**Ian Davis**

Director of Regeneration &  
Environment

### **Cabinet Member consulted:**

Cllr. Oykenor, Cabinet Member for Housing &  
Housing Regeneration

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## 1. EXECUTIVE SUMMARY

1.1 This report seeks the approval of the Cabinet to re-profile part of the planned HRA funding for major works, to bring forward a number of heating renewal schemes. This re-profiling would maximise the opportunity to drawdown external grant funding under the ‘Energy Company Obligations’ (ECO) and Renewable Heat Incentive (RHI) sustainability initiatives.

1.2 This is a Key Decision of the Council and is on the Key Decision List Reference KD4244.

## 2. RECOMMENDATIONS

2.1. That Cabinet approves the proposed additional programme of heating renewal works for 2016/17 as indicated in Appendix 1 (based on the current cost estimates contained within the report).

2.2. That delegated approval is given to the Cabinet Member for Housing & Housing Regeneration to approve the subsequent individual schemes as they are developed and procured (in accordance with the planned programme of activity).

### **3. BACKGROUND**

- 3.1. The Council has been dealing with the “catch-up” repairs to its housing stock since 2008/2009 initially via its ALMO - Enfield Homes, and then subsequently through a direct programme of works managed by the Council Housing team, post re-integration. The works utilise both capital funding provided from the Housing Revenue Account and also previously from “borrowing authorities” approved by Central Government to allow homes to be made “Decent”.
- 3.2. Cabinet has previously approved an indicative “5 Year“ Decent Homes and Capital Works programme for the period 2012 – 2017, the bulk of which has now been substantially delivered. Subsequently in the budget setting process in February 2016 Council agreed to a programme of further works based on funding projections contained in the 30 Year Housing Revenue Account (HRA) Business Plan.
- 3.3 Within the current HRA business plan the following funding levels have been programmed for Decent Homes and Major / Minor Capital work activity:-
- |                             |
|-----------------------------|
| 2016/17 (starts) - £32.012m |
| 2017/18 (starts) - £19.750m |
- 3.4 The programme shown in Appendix 1 is based on these amounts, however Cabinet are now being asked to consider a re-profiling of the projected cash spend in the HRA between the years 2016/17 and 2021/22 to allow the commitments (starts) in 2016/17 to be increased by up to a further £11.2m.
- 3.5 The increased programme in this financial year would allow a number of heating projects to be brought forward by between 2 and 5 years in the business plan. This revised programme would allow the Council to maximise external capital and revenue grant funding opportunities currently available under the ‘Energy Company Obligations’ (ECO) and Renewable Heat Incentive (RHI) sustainability initiatives. The potential enhanced programme of works is shown as a list of additional schemes in Appendices 1.
- 3.6 Financial modelling shows that this re-profiled funding and cash-flow can be managed from within the existing HRA Business Plan by means of deferring the start date of a number of this years major works schemes into the latter quarter of the year and also by reducing subsequent years allocations. This is explained more fully in the Financial Implications section of this report.
- 3.7 The programme has also been developed to take account of the impact of property disposals, demolitions and Estate Regeneration works so that these works are complementary to each other.

### **4. REASONS FOR RECOMMENDATIONS**

- 4.1. The yearly proposed programme previously approved in the budget is crucial to the delivery of the ‘Decent Homes’ targets and objectives. Without this planned funding a substantial number of homes will be left “non-Decent” by the target completion date of 2017.
- 4.2. The opportunity to attract external grant funding under the ECO and RHI programmes is potentially time-limited and may not be available after March 2017, which is why Officers are suggesting a re-profiled expenditure plan. Central Government has cut a number of ‘green / sustainability’ subsidies in recent years and these initiatives might well not still be in place if the planned heating renewal works are left for a further 2 – 5 years (the timescales within the current HRA business plan).

5. **COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

5.1. **Financial Implications**

- 5.1.1. The funding for the five year capital programme 2016/17 to 2020/21 is included within the current HRA Business Plan, which was agreed at the Council meeting of 10<sup>th</sup> February 2016.
- 5.1.2. This plan showed the following cash expenditure profile for major works to the stock: This plan showed the following cash expenditure profile for major works to the stock:

Year	HRA Plan February 2016 £000
2016/17	24,512
2017/18	22,314
2018/19	17,994
2019/20	17,502
2020/21	11,388
<b>Total</b>	<b>93,710</b>

- 5.1.3 A review of the whole HRA Business Plan position undertaken in May 2016 indicated that the following profile for major works expenditure would be affordable:

Year	HRA Plan May 2016 £000
2016/17	35,712
2017/18	21,112
2018/19	17,256
2019/20	16,206
2020/21	10,218
<b>Total</b>	<b>100,504</b>

5.1.4 Although this represents an increase in cost of £6.794m, over the same period, the Council will receive £5.863m of grant funding from Central Government in relation to the heating schemes. The remaining £931k can be met from the HRA balances brought forward into 2016/17.

5.1.5 It should be noted that the grant income will not stop after the five year period – it will continue for a further 20 years until 2035/40 at £252,500 per annum.

## **5.2. Legal Implications**

5.2.1. In 2000, the Government set the target that all social housing had to meet set standards of decency by 2010, the Decent Homes Standard. Pursuant to the Housing Act 2004, Part 1 (as amended), a “Decent Home” is one which is free of the category 1 hazards and was one that met the current statutory minimum for housing, was in a reasonable state of repair, and provided reasonably modern facilities and services and a reasonable degree of thermal comfort.

5.2.2. The Council has a general housing power to alter, repair or improve its housing accommodation as set out at section 9 of the Housing Act 1985.

5.2.3. The procurement of any goods/works/services must be procured in accordance with the Councils Constitution, in particular the Contract Procedure Rules to ensure value for money in accordance with the Local Government Act 1999, as clearly stipulated in the grant agreement with the GLA.

5.2.4. All legal agreements will be in a form approved by the Assistant Director of Legal Services.

## **5.3. Leaseholder Implication**

5.3.1. Any Qualifying Works will be subject to scheme specific statutory consultation with leaseholders.

5.3.2. Consultation will be carried out as defined in legislation and as appropriate dependant on the existence of the Housing Framework, which will have the status of a Long Term Qualifying Agreement.

5.3.3. Leaseholders not wishing to take up the option to connect to the new heating system can retain the current underfloor heating.

## **5.4. Procurement Implications**

5.4.1. The majority of the individual schemes currently identified in the ‘Decent Homes’ programme are below the threshold set out in the Public Contracts Regulations 2006 (as amended), however, the Council still needs to comply with the Councils Constitution, in particular Contract Procedure Rules (CPR) and the general principles of European procurement law i.e. equality of treatment, transparency, mutual recognition and proportionality.

- 5.4.2. The previous procurement of a 'framework' to deal with the letting of schemes above the current threshold, will allow the Council to fully meet its CPR and legal procurement obligations. The framework, enables the 'call-off' and 'mini-tender' of additional schemes without the need to fully re-tender each project.
- 5.4.3. The Council will also continue to access other suitable frameworks from time to time, where available, to ensure our continued compliance with the regulations and to ensure that we obtain value for money.

## **6. KEY RISKS**

- 6.1. The key risk is that without the ability to forward fund these heating programmes the Council may lose the opportunity to attract external grant and funding support, which would allow us to install enhanced 'sustainable' heating solutions for a large group of residents.
- 6.2. Alternative Options considered.
- 6.2.1. The proposed heating schemes form part of the Decent Homes Programme and have been assessed as a priority based on the stock condition survey. If the proposed energy efficiency retrofit measures are not available in the future, we would have to revert to less efficient conventional heating renewal works based on gas or electricity supplied units.
- 6.2.2. Should the number of leaseholders increase before the heating is fully installed the cost of the infrastructure will not change and the Council will still continue to claim RHI payments as the owner of the installation.

## **7. IMPACT ON COUNCIL PROPERTIES**

- 7.1 **Fairness for all:** The 'Decent Homes' programme that can be delivered with this funding stream will greatly enhance the quality of the housing stock owned by the Council. All properties will be brought up to a nationally recognised minimum set of standards for comfort, heating, energy efficiency and bathroom / kitchen facilities. The external fabric improvement of the Houses and Flats will also have a positive impact on the street scene. The Homes improved with this grant funding will assist in meeting the Councils objectives by providing economically successful and socially inclusive communities.
- 7.2 New windows as part of the Decent Homes package will help to reduce heat losses, achieve noise reduction and together with the new heating systems provide overall energy savings. The improvements will have a positive impact on the Energy performance of the dwellings. Products specified will be sustainable and energy efficient and manufacturers are required to have a stringent Environmental Policy in place.

7.3 **Strong Communities:** The Homes improved and repaired as part of the Decent Homes and Capital Works programmes will assist in meeting the Councils objectives by involving the residents in the decision making process and help them to play an active role in their local neighbourhoods. Works undertaken to improve lighting and improve security / design out crime will also enhance the sustainability of the neighbourhoods that we are investing in.

## **8. EQUALITIES IMPACT IMPLICATIONS**

8.1. Equality impact assessments will be carried out as part of the procurement packages for each of the schemes developed, using the capital resources made available by the Council.

## **9. PERFORMANCE MANAGEMENT IMPLICATIONS**

9.1. The recommendations in this report will ensure that the Decent Homes programme will bring all council homes up to standard by the completion date.

## **10. HEALTH AND SAFETY IMPLICATIONS**

10.1. Health and Safety implications will be monitored as part of the procurement packages for the schemes developed using the capital resources made available by the Council.

## **11. PUBLIC HEALTH IMPLICATIONS**

The new heating will be more energy efficient and reliable than the existing installation and will offer a more controllable and economic solution.

## **Background Papers**

**None**