

<b>Title:</b> Annual Investment Plan 2013/14	<b>Meeting:</b> THH Board	
<b>Report authorised by:</b> Gavin Cansfield, Chief Executive	<b>Date of the meeting:</b> 24 April 2013	<b>Item No.</b> 7
<b>Report author:</b> Jamie Carswell, Director of Investment	<b>Classification:</b> Open – published	<b>Report type:</b> Information and discussion
<b>Business Priorities:</b> <ul style="list-style-type: none"> <li>• Create places to be proud of: Deliver the Decent Homes Programme.</li> <li>• Create places to be proud of: Strengthen neighbourhood planning and delivery.</li> </ul>		
<b>Impact for Customer:</b> <p>The Decent Homes programme has a significant impact on our customers, both in terms of the home environment they live in after the works and the level of disruption during the works. Significant effort is being placed to maximise the improvements in the former, and minimise the latter, and to ensure we manage contractors to deliver both.</p> <p>One of the major challenges of the consultation process is ensuring that the views of frequently ignored groups are heard. The Decent Homes programme provides a good opportunity to build links with communities that do not have TRAs and those are under-representation from particular diversity groups.</p>		
<b>Diversity Impact:</b> <p>The capital programme, across both Decent Homes and Planned Maintenance, affects all the residents living in the affected blocks, and so touches on all the diversity streams of residents.</p> <p>An Equality Impact Assessment (EIA) of the Decent Homes programme has shown the proportionate and positive impact of the programme, and the action plan identified by this impact assessment is well underway.</p>		
<b>Cost and Income Implications:</b> <p><b>Decent Homes Programme</b> - THH will be seeking cabinet funding approval for each of the future years of the Decent Homes programme as detailed below in May 2013.</p> <ul style="list-style-type: none"> <li>• <b>Year 3</b> -Approve additional funding of £7.226m for Year 3 of the Decent Homes Programme.           <ul style="list-style-type: none"> <li>○ The projected programme spend for Year 3 of the DH programme is £41m. GLA funding of £25m for Year 3 of the programme has already been secured by the Council. In addition to this sum, a further £8.774m will contribute to the Year 3 DH budget as a consequence of</li> </ul> </li> </ul>		

funding provision being brought forward to undertake works in Year 2 of the programme. The Council has therefore secured authority for the sum of £33.774m for Year 3 of the programme. Approval is being sought for the difference between this amount and the programme budget for Year 3 of £7.226m.

- **Year 4** - The Council is seeking approval for the adoption of an additional £3m to deliver Year 4 of the programme. The projected programme spend for Year 4 of the programme is £48m. Funding approval for Year 4 of the programme of £45m has been already approved by Cabinet.
- **Year 5** - The Council is seeking approval for a further £16m for managing the implementation of Year 5 works involving internal and external works.
- **Decent Homes Leaseholder Charges** - it is envisaged that circa 7,375 leaseholders will be consulted, and invoices totalling over £42 million issued over the 5 year period.

**Planned Maintenance** - The proposed value of the works is estimated to be £6,586,643m. This excludes contingency and the Housing Initiative Programme which has previously been estimated at £3.4m. Therefore, the total proposed Capital Maintenance Programme for 2013/14 is estimated to be £10m.

**Risk Management:**

**The Investment programme relates to three of the key strategic risks for THH:**

- (1) Making a Difference: Ensuring that achievements recognised internally or externally make a difference to residents.
- (2) Financial Sustainability Ensuring robust financial management for continued business viability and on-going delivery of the Decent Homes programme.
- (3) Health & Safety: "Life and limb" events which could result in injury or fatality.

The delivery risks of the programme are reviewed on a monthly basis.

**Summary:**

This report details the capital investment plan for 2013/14 across both the Decent Homes programme and the Planned Maintenance programme. The plan comprises of capital schemes that are pending Cabinet approval in May 2013. The report also details the approach that will be taken to manage the performance and spend of the schemes.

**Recommendations:**

**Information:** That the Board note:

1. The proposed Investment Programme that THH will be managing in 2013/14, subject to final cabinet approval in May 2013.
2. The high level delivery and local economic targets that have been set for years 3-5 of the Decent Homes programme.

## **1.0 Summary**

- 1.1** The 2013/14 Investment Programme is the largest undertaken by Tower Hamlets Homes. It contains the third year of internal Decent Homes works which will also involve external work, and a comprehensive Planned Maintenance programme. These two components together start to articulate a comprehensive approach to investment in the Council asset that is required.
- 1.2** The programme has a significant impact on our customers, both in terms of the home environment they live in after the works and the level of disruption during the works. Significant effort is being placed to maximise the improvements in the former, and minimise the latter, and to ensure we manage contractors to deliver both.

## **2.0 Decent Homes Programme**

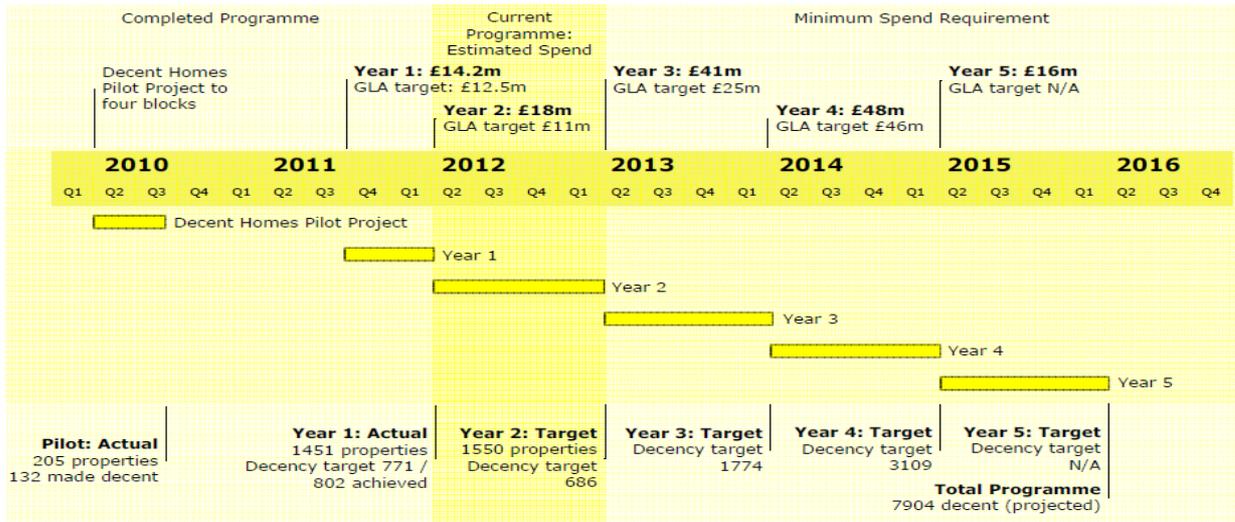
### **2.1 Background**

- 2.2** Subsequent to the successful bid for £94.5m of the GLA's Decent Homes (DH) backlog funding in 2011, the Council embarked on the procurement and delivery of the DH programme. In September 2011 Cabinet agreed to fund a programme of £149.5m to ensure that all tenanted properties received a new kitchen and bathroom. At the time, only GLA funding allocated for 2011, 2012 and 2013 was guaranteed. The GLA have now confirmed the allocated funding £25m and £46m for 2013/14 and 2014/15 respectively.

- 2.3** The Council has circa 9,000 leasehold properties managed by Tower Hamlets Homes (THH). During the 5 year period of the Decent Homes Programme, it is envisaged that circa 7,375 leaseholders will be consulted, and invoices totalling over £42 million issued over the 5 year period. The programming for Years 3-5 has been undertaken using data Tendered Lots. It is important to note that the validation surveys of external works will help to inform the true cost of works against the programme budget for each year. Variation in costs against the Decent Homes programme budgets will be closely monitored and managed in partnership with the consultants and reported to the Council through the approved governance structure.

## **3.0 Decent Homes Programme Overview**

### **Table 1: Decent Homes Programme Overview**



#### 4.0 Strategic and Operational Objectives of the Decent Homes Programme

4.1 The key operational objectives of the Decent Homes programme are:

- a) Demonstrable delivery of value for money - Driving VFM objectives through robust financial monitoring, Performance Managing contractors in order to deliver high standards of work, on time and to cost.
- b) Support local employment and economy – Decent Homes contracts to provide opportunities for local contractors and to allow for achieving economies of scale and the creation of local employment and training opportunities.
- c) Achieve 85% average resident satisfaction.
- d) Achieve a refusal rate of less than 5%.
- e) Engage residents in decision making throughout the delivery process, and minimising disruption to residents.
- f) The incorporation of the requirements of households with additional needs such as aids and adaptations.

4.2 In July 2011 the Council entered into contract with the GLA for the DH Backlog funding. Under the Agreement the Council is contracted to deliver pre-agreed annual targets of DH in order to access the DH Backlog funding. The outcome of each of the targets for Year 1 & 2 is detailed in the table 2 below.

#### 5.0 Year 1 & 2 Key Deliverables

**Table 2. Strategic and Operational Objectives for Year 1&2**

Deliverables	Target	Actual Outturn	Targets Met?
<b>Year 1</b>			
Decency numbers	771	815	<b>Yes</b>
Properties completed	1200	1375	<b>Yes</b>
Spend	12.5	14.2	<b>Yes</b>
Refusals	<68	56 (43 decency)	<b>Yes</b>

Deliverables	Target	Actual Outturn	Targets Met?
Customer Satisfaction	85%	90%	<b>Yes</b>
<b>Year 2</b>			
Decency numbers	686 (GLA)	730	<b>Yes</b>
Properties completed	1748	1550	<b>Yes</b>
Spend	£11m (GLA)	£13.9m as of March 13 - programme outturn £19m.	<b>Yes</b>
Refusals	<5%	4.6%	<b>Yes</b>
Customer Satisfaction	85%	94% (Fair, Good and Excellent)	<b>Yes</b>

## 6.0 Year 1 & 2 Local Deliverables

- 6.1** A combined 21 apprentices employed as part of the Decent Homes programme. At least 12 of these will gain full-time employment now that the respective contractor's programme complete.
- 6.2** Approximately 80 local residents have been employed by Decent Homes contractors.
- 6.3** £11.6m (£5.4m on suppliers and £6.2m on sub-contractors) spend by Durkan and Wates on local-suppliers and sub-contractors based in LBTH.
- 6.4** In addition to this, the Year 1 and 2 contractors also delivered a number of community projects, including:
- The renovation of community centres, including Ashington House and Harkness House
  - Community fete and food bank initiatives established
  - Work experience and placement schemes offered.

## 7.0 Year 3 - Targets

- 7.1** Table 3 below details the operational and GLA targets for Year 3-5 Decent Homes Programme.

**Table 3. Strategic and Operational Objectives for Year 1&2**

	Yr 3 Target	Yr 4 Target	Yr 5 Target
Budget	£41m	£48m	£16m
GLA Decency target	1774	3109	N/A
GLA Spend target	£25m	£46m	N/A
Refusal Rate	<5%	<5%	<5%
Customer Satisfaction (Good / Excellent)	>80%	>80%	>80%
Number of Properties Scheduled for Completion	3270 – Internal 1533 –	2783 – Internal 3061 –	1128- Internal 888 –

	Yr 3 Target	Yr 4 Target	Yr 5 Target
Budget	£41m	£48m	£16m
	External	External	External

## 8.0 Local Deliverables Objectives For Year 3 – 5

**8.1** Year 3-5 Decent Homes contractors and consultants are committed to providing opportunities for local residents and businesses located within LBTH. Year 3-5 consultants and contractors have committed to delivering the following opportunities:

- Employment of 250 apprentices by Year 3-5 Decent Homes contractors and consultants
- Progression in to employment schemes to be offered to over 500 unemployed local residents
- 30% of contracts to be commissioned to businesses located within LBTH
- Work experience schemes to be offered through local schools
- Organisation of outreach work, DIY training sessions for local residents, sponsoring of local clubs/teams
- Fund job fairs and arrange “meet the buyers” days for local suppliers.

## 9.0 Capital Planned Maintenance Programme

**9.1** The HRA 30 year business plan includes a capital programme for the renewal of elements of the asset that sit outside Decent Homes, but are nonetheless essential to the safe and effective use of the properties by residents – these include lifts, communal heating and door entry systems amongst others.

**Table 5: Summary of value and proposed capacity costs for 5 Year Programme**

	Year 1	Year 2	Year 3	Year 4	Year 5
Decent Homes	£14.5M	£20.074 M	£40-46M	£46M	£20-25M
Planned Maintenance	N/A	£10.727 M	*£10M	£6M	£6M

Note: \*Subject to cabinet approval in May 13.

## 10.0 Proposed Programme Overview

**10.1** Following analysis of stock condition and prioritisation of works across the areas of Planned Maintenance, a programme has been developed which aligns to the budget for the area. The table below provides a breakdown of the proposed capital schemes for 2013/14. The proposed value of the works is estimated to be £6,586,643m. This excludes contingency and

Housing Initiatives Programme (e.g. initiatives to tackle overcrowding, aids and adaptations, capitalised voids etc) which has previously been estimated at £3.4m. Therefore, the total proposed Capital Maintenance Programme for 2013/14 is estimated to be £10m.

**10.2** The following table demonstrates the high level allocation across areas of Planned Maintenance:

**Table 6 Proposed Capital Maintenance Programme 2013/14**

<b>Scheme Type</b>	<b>Number of schemes</b>	<b>Sum of Capital Estimate</b>	<b>Percentage of Total Estimate</b>
Boosted Water	13	£142,240	2.16%
Communal Extract Fan	8	£92,680	1.41%
Communal Heating	12	£1,039,636	15.79%
Domestic Heating	1	£167,500	2.54%
Door Entry Renewal	12	£875,840	13.30%
Fire Safety	7	£140,000	2.13%
Lift Renewal	15	£3,427,664	52.06%
Water Tanks	1	£458,083	6.96%
Non-Residential Asset	1	£150,000	2.28%
Communal Play Area	1	£15,000	0.23%
Estate & Balcony Lighting	1	£75,000	1.14%
<b>Grand Total</b>	<b>72</b>	<b>£6,583,643</b>	<b>100.00%</b>

**Note 1:** The above programme is subject to Cabinet approval scheduled for May 2013.

**Note 2: Non-residential assets& fuel efficiency works** - Included in the programme is provision (£150k) for investment into non-residential assets. This programme elements falls outside the 30 year HRA business plan, but is included following learning from related pilot programmes.

## **11.0 Programme Deliverability**

**11.1** Using the methodology below, the proposed programme has been risk-assessed for the 2013-14 year to make sure we are able to deliver it. This ensures that the programmed works are achievable when implemented alongside Planned Maintenance works that were part of the 2012-13 programme but slipped into 2013-14. We now have confidence that the delivery of the programme is fully achievable. Where necessary this will include increasing the level of 'clienting' support within the organisation, if necessary using established framework consultancies.

**11.2** A series of reserve projects are being assembled of a value of around £1.5m in areas that have a fast mobilisation time. Scheme approval for these projects will be sought in the May Cabinet report, but they will sit outside the overall approved budget. These projects will be brought forward at the end of the first quarter of 2013/14 if there are any further risks to the mobilisation of the 13/14 planned maintenance programme, to ensure that budget spend is achieved.

## **12.0 Key Developments in the Programming of Planned Maintenance**

**12.1** The development of the Planned Maintenance programme incorporates significant steps forward in the rationalisation of works to be included. This follows from key developments in the detailed prioritisation of separate items of 'plant' (e.g. lifts, water tanks, door entry, boilers etc), and the integration with the Decent Homes works programme.

**i) Detailed prioritisation matrix**

- Each building component has a detailed prioritisation matrix on a block by block basis, which produces a score from 0 to 3, 'green' requiring no maintenance to 'red' requiring prioritised maintenance.
- Scoring also allows us to provide comparisons between various building components, and decide which are the most in need of investment.

**ii) Integration with the Decent Homes Programme**

- Analysis has been made of the alignment of Decent Homes works with high priority Planned Maintenance assets, particularly around items that are affected by Decent Homes works – door entry systems, internal communal pipework, and communal electrics. This ensures that where such works require appropriate sequencing or coordination this has been incorporated.

**13.0 OTHER CAPITAL SCHEMES**

**13.1** External works to Lister and Treves Phase 2 works is scheduled to commence on site in July 13. Year 3 -5 Decent Homes contractors, Breyer Group, have been allocated to do the works. The works will also address ASB issues experienced by residents.

Scheme	Budget
Lister & Treves	£ 1,411,000