

**REQUEST FOR MAYORAL DECISION – MD1427**

**Title: Decent Homes Funding 2015-16**

**Executive Summary:**

This Mayoral Decision approves the GLA allocation of £144,994,038 to 9 stock-owning local authorities across London, to fund stock condition work to bring 9,986 homes up to the Decent Homes standard during the financial year 2015-16.

**Decision:**

That the Mayor:

1. Approves the 2015-16 allocations for the Decent Homes backlog fund of up to £144,994,038 (capital expenditure) and the GLA entering into contract with the successful bidders (by varying existing Decent Homes Backlog Programme contracts).
2. Agrees to the GLA engaging with the legal panel to procure legal services in drafting and negotiating the variations to existing contracts for the Decent Homes Backlog Fund 2015-16.
3. Delegates further decisions with regards to the Decent Homes Backlog Fund to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing, Land and Property.

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**

**Date:**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The 2013 Comprehensive Spending Review announced a further £160 million in 2015-16 for the national Decent Homes Backlog Programme, targeted on those Local Authorities with the largest number of non-decent homes.
- 1.2 In recognition of the condition of London's local authority owned stock, the GLA was awarded 90% of the national programme and will invest approximately £145 million to bring circa 9,500 homes up to the Decent Homes standard.
- 1.3 The case to Treasury during the spending review for additional Decent Homes money was made on the basis that this additional money would be to ensure that as many boroughs as possible were left with no more than 10% of their stock remaining non decent at the end of the programme.
- 1.4 The remaining 10% of boroughs' non-decent stock is generally expected to be addressed through their own resource from their Housing Revenue Accounts (although see 2.5). This additional funding should therefore put all London local authority landlords in a position to resolve their Decent Homes backlog independently post-2016.

#### **2. Objectives and expected outcomes**

- 2.1. The invitation to bid and bidding guidance for 2015/16 Decent Homes backlog funding was published in August 2014. This came after the original announcement in 2013 following a long dialogue with the Department for Communities and Local Government (DCLG) regarding the treatment of leaseholders within local authority owned blocks who were charged for external Decent Homes refurbishment work.
- 2.2. A direction was published by DCLG capping the charges to leaseholders at £15K in London and £10K outside the capital in any five year period. The GLA were asked to ensure that the local authority submissions for funding were fully addressing the issues faced by leaseholders with appropriate protections and access to information about the works to their property.
- 2.3. Stock owning local authority landlords and ALMOs that expressed an interest in bidding were sent an excel spreadsheet which was pre-populated with data from the latest Local Authority Housing statistical returns (LAHS) and asked to complete supporting statements.
- 2.4. Of the 17 local authorities that expressed an interest and were sent pre-populated spreadsheets, only 11 submitted completed bids with supporting statements by the deadline of 19<sup>th</sup> September 2014.
- 2.5. Bidders were given the opportunity in exceptional circumstances to bid for funding to address the last 10% of their stock that remained non-decent, which would otherwise have to be addressed through internal resources.

- 2.6. To back up the completed excel spreadsheet each bidder was asked to complete a series of supporting statements to complement their bid and provide a narrative where they did not agree with the latest published data provided by their own local authority statisticians.
- 2.7. The fully completed submission then allowed the GLA to review: each bidder's total non-decent stock, what was required to address up to 10% non-decency and then, if bid for, how much to address the last 10%.
- 2.8. This was also apportioned between standard and challenging and extensive works required to meet the Decent Homes standard. This would identify any costs that may have been over the notional benchmark taken from the previous four year funding programme.
- 2.9. In the assessment and management of the 2015/16 Decent Homes programme the Mayor committed to ensuring that the financial impacts on leaseholders were considered and borough landlords would be encouraged to offer appropriate support to their leaseholders.
- 2.10. The minimum expectation of deferred loans and interest free periods was offered by the majority of bidders, with most offering a suite of options over a longer period of time than the initial two years.
- 2.11. A counter-check required by DCLG as part of the bid was to submit the works costs of external repairs to leaseholders and clarify with bidders if these costs looked excessive compared to the comparable external works to tenanted stock.
- 2.12. The average value for money compared well against the previous programme averages and during assessment the team used each bidder's previous grant benchmark as a test of comparable value for money.
- 2.13. There is one significant outlier in Sutton as they require significant assistance with one tower block that needs to be re-clad. The technique to re-clad the block involves a steel frame being erected around the block in order to apply the new cladding and this is at a significant cost.
- 2.14. The individual cost components that were recorded within each bidder's spreadsheets did not vary hugely although different suppliers and framework agreements will drive different efficiencies.
- 2.15. At moderation after the clarification it was clear that the spend and output objectives could be met without having to request to fund any stock that was in the last 10% of backlog non-decency.
- 2.16. The moderation panel proposed to not fund those that had only bid for funding to address the last 10% of their backlog stock or where it was part of the total bid, with one exception.
- 2.17. Following assessment the recommended programme for approval is to fund 9 local authority partners £144,994,038 to make 9,986 homes decent leaving the majority of these boroughs with 10% backlog non-decent stock to address from their own resources after 2015/16.
- 2.18. The programme puts all London local authority landlords in a position to resolve the last 10% of their Decent Homes backlog independently post 2016, meeting the original programme objective. With the exception of Southwark having the greatest number of Local Authority owned stock and

the most non-decent in the country, who will have circa 18% remaining non decent backlog in April 2016.

### Contractual conditions

- 2.19. Each borough in receipt of a Decent Homes allocation in 2015/16 will be contractually committed to have a support plan in place with the RE:NEW Support Team (1).
- 2.20. It is envisaged that the RE:NEW Support Team will work with them to provide free support with the aim of increasing the volume, speed and/or the value for money of retrofit delivery. There will be a contractual commitment in the Decent Homes contract stating that the borough will monitor carbon, capital expenditure and the number of homes delivered through their delivery agent contracts.
- 2.21. It is also proposed that each borough will be required to appoint an independent verifier to check that the borough has spent the funds on eligible works to the stated timeframe.

### **3. Equality comments**

- 3.1. The programme of proposed allocations for the Decent Homes backlog fund are implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy
- 3.2. In delivering the Decent Homes backlog programme and increasing the quality and standard of homes in which all local authority tenants live, this is having a demonstrably positive impact on all of those groups within society that have protected characteristic. Better insulated homes improves health and has equally positively impacts on the cost of housing through more efficiently heated homes reducing household bills. Individual specifications of homes that require specialised refurbishment to meet the Decent Homes Standard will have been addressed in any works required following the stock condition survey carried out by each landlord

### **4. Other considerations**

#### *a) key risks and issues*

- 4.1. The main risk to the programme as a whole is the fact that three local authority partners carry 78% of the total output, one borough alone (Southwark) being offered a programme of 4,190 representing 42% of the total annual delivery.
- 4.2. Other boroughs have delivered comparable programmes over the last three years and there is confidence they will be able to deliver this quantum in 2015/16.
- 4.3. The additional requirements with regards to the RE:NEW programme will increase the reporting burdens on local authorities. The RE:NEW team within the Housing and Land Directorate will need to understand the output numbers working in collaboration with the boroughs to identify the minimum commitments more accurately.

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<sup>1</sup> RE:NEW Support – provided by Capita and is free to all public sector stock owning boroughs to provide advice in delivering retrofit works.

- 4.4. Additional reporting requirements could increase the burden on each local authority and increase workload delaying the overall process.
- b) *links to Mayoral strategies and priorities*
- 4.5 In the revised London Housing Strategy, the Mayor has committed to working with London boroughs with this fund explicitly and it was cited that the contracts that are now to be entered into will address the key objectives of decreasing non decent stock levels across the capital.
- c) *impact assessments and consultations.*
- 4.6 Under the terms of the proposed contracts, each local authority in receipt of Decent Homes grant must agree to self-certifying that they have incurred eligible expenditure on works to their stock and this is then signed by their chief accounting officer. This verifies they are able to claim the associated grant in arrears every month.
- 4.7 In financial years 2013/14, 2014/15 and 2015/16 the GLA require an independent third party to check each borough's accounts in order that only eligible expenditure has been incurred and to check the amounts for which they are claiming funding.
- 4.8 The Investment and Operations teams visit each local authority every year to see completed works and to run through a number of structured questions to check that they are on track with their annual Decent Homes programme.

## **5. Financial comments**

- 5.1 The Decent Homes programme is to be funded from grant as confirmed in a letter from a DCLG Deputy Director on 8th August 2014.
- 5.2 The monitoring of this programme will be managed within existing resources and the legal costs are expected to fall within the TfL shared service remit, therefore there are no revenue cost implications to approving this spend.

## **6. Legal comments**

- 6.1 Section 30 of the Greater London Authority Act 1999 (as amended) ('GLA Act') gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2), of the GLA Act are:
- promoting economic development and wealth creation in Greater London;
  - promoting social development in Greater London; and
  - promoting the improvement of the environment in Greater London

and, in formulating the proposals in this paper, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- consider consulting with appropriate bodies.

- 6.2 Previously the GLA was prohibited from using this general power to incur expenditure in providing any housing. This prohibition was, however, removed by section 186 of the Localism Act 2011, which came into effect on 1 April 2012.
- 6.3 Given the above, Section 34 of the GLA Act which allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions (including his functions under section 30) and the Mayor's powers (under Section 38 of the GLA Act) to delegate to any GLA member of staff functions of the GLA that are exercisable by him, the foregoing sections of this paper indicate that the Mayor has the power to proceed as set out above.
- 6.4 Specialist legal advice has been and will be sought on the funding agreements that the GLA proposes to use to administer this funding. Officers should ensure that the GLA's legal advisers on this matter are instructed to reflect the contractual conditions referred to in this paper in any such funding agreements with boroughs.
- 6.5 Officers must also ensure that no legally binding commitment to the award of funding is given until the appropriate funding documentation is put in place between and executed by the GLA and recipients.

## **7. Housing Investment Group**

- 7.1 The recommended programme was presented to the Housing Investment Group on the 5th November 2014 and was approved to go to Mayoral Decision.
- 7.2 The Chair asked that the Department for Communities and Local Government (DCLG) be informed of the process that the GLA had followed and the allocations to be made to all local authority stock owning landlords.
- 7.3 Members heard that each borough in receipt of a Decent Homes allocation in 2015-16 would be contractually committed to have a support plan in place with the RE:NEW support team. In order to achieve this, the Group were informed that each borough allocated funding would meet with RE:NEW Support providers Capita prior to the end of 2014. It was also requested that a quarterly review of infill development opportunities be brought to the Group, particularly addressing those in receipt of RE:NEW support.

## **8. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Announcement	Dec/Jan 2014
Contracting	Jan-March 2015
Delivery Start Date	April 2015
Delivery End Date	March 2016

### **Appendices and supporting papers:**

Appendix 1 – Recommended programme for the Decent Homes backlog fund 2015/16.

	<b>Funding total</b>		
	<b>Units</b>	<b>funding</b>	<b>Cost per unit</b>
<b>North East</b>			
Barking and Dagenham	154	1,124,508	7,302
Hackney	172	3,159,962	18,372
Haringey	421	11,270,130	26,770
Tower Hamlets	917	13,270,443	14,472
<b>North West</b>			
Camden	1,559	26,299,627	16,870
<b>South</b>			
Lambeth	2,125	23,283,562	10,957
Kingston upon Thames	362	6,347,627	17,535
Southwark	4,190	53,035,851	12,658
Sutton	86	7,202,328	83,748
	<b>9,986</b>	<b>144,994,038</b>	<b>14,520</b>

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:****Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason: To enable the GLA to manage the announcements of allocations with successful and unsuccessful bidders.

Until what date: 28 February 2015

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Nick Taylor has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Nick Taylor has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**