
DECENT HOMES

Backlog Funding for Council Landlords 15-16

Invitation to Bid

MAYOR OF LONDON
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FOREWORD



London's biggest housing challenge is to build more homes to address a historic, thirty-year failure to build enough.

But what we build must be of the highest quality – and what we have already built must be maintained to the highest standards.

Everyone deserves to live in good quality housing and it is important we continue to improve existing council-owned stock to ensure it is fit for the future. Huge progress has been made – in my first term as Mayor, more than 68,000 council-owned homes were improved with, for instance, new windows.

Yet there is still some accommodation that falls short of decent standards. City Hall is determined to tackle this, so I am pleased to announce a new round of backlog

funding to assist borough landlords in becoming independent with the maintenance of their housing stock.

And I want this programme to go further. I want to combine these upgrades with efforts to improve the energy efficiency of homes, reducing carbon emissions and helping to tackle energy costs and fuel poverty. Participating boroughs will also be encouraged to examine what else can be done to provide more homes for Londoners on the estates which benefit from funding, with sympathetic and intelligent development in an effort to help meet housing demand.

This fund will help improve conditions of both public and private council owned housing and the rental sector for the thousands of Londoners who need it. I look forward to working with boroughs to deliver it.

A handwritten signature in black ink, which appears to read 'Boris Johnson', written in a fluid, cursive style.

Boris Johnson
Mayor of London

1. INTRODUCTION

Alongside some of the country's finest housing, London has some of the worst housing conditions, and this has a direct impact on people's quality of life, their health and educational attainment. In 2011, 22 per cent of homes across all tenures in London were estimated to fall below the Decent Homes standard.¹

To tackle the backlog of improvement works for council homes, the Mayor secured £821 million in the 2011-15 spending round period for boroughs to improve the condition of circa 45,000 homes. However, even after this investment, London will still have eleven of the twelve local authorities in the country where more than ten per cent of their homes do not meet the Decent Homes standard.

The 2013 Comprehensive Spending Review announced a further £160 million in 2015-16 for the national Decent Homes Backlog Programme, targeted on those areas with the largest number of non-decent homes. In recognition of the condition of London's local authority owned stock, the GLA will invest up to £145 million to bring circa 9,500 homes up to the Decent Homes standard. This additional funding should put all London borough landlords in a position to resolve their Decent Homes backlog independently.

There are three key aims within this programme of funding; upgrading stock, improving environmental performance and stimulating development.

For some social housing estates, redevelopment and intensification may be the most appropriate solution to upgrading the housing stock, and where this is the case, the Mayor will consider supporting estate regeneration projects from different programmes. As well as addressing fuel poverty through reduced energy bills, improving the quality of life for residents and contributing to environmental improvement, Decent Homes works create jobs and local economic activity. It is estimated that every £1 invested through the programme generates local spend of £1.46 through orders to local tradespeople and suppliers, and every £1 million of investment creates an additional sixteen jobs.

The Mayor welcomes the financial protections the Government is putting in place through a cap to the service charge contribution of leaseholders for Government-funded works, but will also work to ensure additional protections are in place for leaseholders. In the assessment and management of the 2015/16 Decent Homes programme the GLA will ensure that the financial impacts on leaseholders are considered and borough landlords will be encouraged to offer appropriate support to their leaseholders.

The Mayor will make it a condition of funding that all borough landlords in receipt of Decent Homes monies should also have detailed plans for environmental improvement of their homes and where possible carry these out alongside GLA-funded works.

It is apparent from discussions with local authority landlords that many face significant issues with the condition of a low percentage of their stock, but works are extensive and challenging. The Mayor is keen to understand how these landlords may benefit with an element of funding through this programme.

The Mayor is now issuing an invitation to council landlords and ALMOs to apply for the 2015/16 Decent Homes Backlog Funding.

¹ Housing in London, GLA, December 2012

2. UPGRADING STOCK

Stock Threshold

The expectation is that funding would not normally be available to a landlord with less than 10% of their stock non-decent, and that funding would not cover capital works costs for a landlord's last 10% of non-decent stock. The 10% threshold will be monitored from the most recent Local Authority Housing statistical returns (LAHS). The GLA will ask each authority to confirm the LAHS data is accurate when completing the pre-populated bidding spreadsheet.

Where an authority holds a backlog of less than 10%, the additional flexibilities introduced by HRA reform will, in most cases, be sufficient to enable an authority to deliver the necessary works to stock within its business plan. In inviting bids we believe it is appropriate to target funding effectively on landlords with greatest need to make best use of the backlog resources.

However, we also recognise that for some council landlords having unfunded non-decent stock of less than 10%, will be a bar to an on-going sustainable self-financing business plan, for example where:

- the Decent Homes work required by the residual non-decent stock is extensive or challenging
- the council's self-financing position will not support completion of these works in the medium term.

Therefore **in exceptional circumstances** we have therefore left room for landlords to bid for funding where there is less than 10% non-decency. We expect clear evidence from each borough's business plan that there is a gap in headroom and that all other sources of funding have been explored. We will give consideration to alternative funding within the HRA and the council's attention to minimising the cost of capital works.

The priority will always be to invest in those with the greatest non-decency issues.

We will require interested bidders to complete the pre-populated spreadsheet bid but also provide supporting information through statement 3 to explain the specifics of the bid for funding.

Newly Arising Non-Decency

Newly arising non-decent homes from 2012-15 will not be eligible for backlog funding; newly arising non-decency should be dealt with through the self-financing business plan, and hence will not be eligible for backlog funding. The fund is only available for stock that was non decent at the beginning of the last decent homes backlog bidding round in April 2012 and will remain non decent at April 2015.

Standards and Eligible Works

The Decent Homes Standard was set by central government in 2000 and was updated in 2006 to take account of the Housing Act 2004, included the implementation of the Housing Health and Safety Rating System (HHSRS). The specifics of what qualifies for eligible works can be found here;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7812/138355.pdf

The GLA are looking for bidders to breakdown the cost and numbers of homes subject to eligible works for both standard decent homes work and works that are extensive and challenging. Since the publication of the direction to cap leaseholder costs, where the works are to blocks which include leaseholders, the cost data for leaseholders will also be collected as part of the bid.

The cost component information that is required at bid is as follows;

- Kitchen, Bathroom, Heating system boiler and distribution, windows, doors, insulation, rewiring, roofs

3. LEASEHOLDER CHARGES

The Mayor welcomes the financial protections the Government has introduced following the consultation, capping the service charge contribution of leaseholders for Government-funded works in London at £15,000. The Mayor will also work to ensure additional protections are in place for leaseholders.

In the assessment and management of this programme the Mayor will want to see that the financial impact on leaseholders have been considered and that borough landlords are offering appropriate support to their leaseholders. For avoidance of doubt this only applies to resident leaseholder that have the property as their only or principal home at the time the work begins.

Local authorities completing bids for the 2015/16 funding will need to answer the following questions in order that the GLA are able to ascertain the extent to which leaseholders are affected by decent homes funded programmes of work. Local authorities must set out what protections are in place for leaseholders with high charges and what if anything the GLA can do to support.

- a) What is the council's estimate of the cost of the main elements of works for each estate, both for tenanted and leaseholder properties? (as part of excel submission)
- b) How will the council fund the extra costs on each estate, if the £15K cap is lower than the estimated works costs for resident leaseholders?
- c) What help financial or otherwise will the council be giving to all affected leaseholders, such as loans or deferred payment arrangements? The expectation would be that a minimum of 2 years deferred interest free payment would be available.
- d) Please provide a sample of the council's documentation showing how the estimated charges are explained to leaseholders. This will include; alerting resident leaseholders to the cap, description of works, a breakdown of charges for the main elements of the works, overheads, contingency, dispute protocols and how any savings are distributed to leaseholders where profit sharing arrangements exist.
- e) All bidders must publish their procurement strategy on their website.

The approach to leaseholder stock condition works as part of the decent homes backlog works are to be answered in Statement 4.

4. IMPROVING ENVIRONMENTAL PERFORMANCE

Environmental retrofit and energy efficiency

The Mayor has strong ambitions to reduce London's carbon footprint through retrofit measures to existing stock. The RE:NEW Support Team^[1] has been established to help support such measures in domestic properties.

We have published a Guide to Funding and Financing Opportunities for Energy Efficiency Retrofit in London. The guide identifies potential sources of funding and finance available to boroughs, Registered Providers, private landlords and individuals to pay for energy efficiency retrofit measures in their housing^[2].

There are opportunities to realise efficiencies (for example on preliminaries and scaffolding) by combining Decent Homes funding and energy efficiency works. There may also be other ways in which Decent Homes works can be packaged with environmental retrofit work improvements to achieve wider benefits, such as targeting fuel-poor households and those in hard-to-treat homes.

The Mayor is keen to work with those accessing Decent Homes funding to understand their plans for environmental retrofit and provide support where necessary, in terms of advice, specification, procurement and access to funding, including but not solely through the Green Deal and Energy Company Obligations. To this end, environmental retrofit works will be a contractual commitment for each successful authority and will be monitored through the annual review.

The GLA has recently been successful in securing additional funding of around £2.5 million from the European Investment Bank's Local Energy Assistance (ELENA) fund. This will cover 90 per cent of the cost of delivering the RE:NEW Support Team to 2017, with a further 10 per cent being provided by the GLA.

As part of your application, you are required to submit a supporting statement on environmental retrofit, setting out how you will ensure environmental retrofit works will be included alongside your Decent Homes programme. Please include information about the kind of support that the RE:NEW Support Team could provide to assist you incorporating energy efficiency measures into the works. If awarded Decent Homes funding, you will be required to attend a scoping meeting with the RE:NEW Support Team (exceptions will be made for those already engaging with the team). It is the general expectation that prior to the draw-down of any funds within 2015/16 that each landlord would be in contract with a delivery agent.

Please provide this information in statement 5.

^[1] www.london.gov.uk/renew

^[2] www.london.gov.uk/sites/default/files/Funding%20Guide%20201%20Aug%2013_0.pdf

5. STIMULATING SUPPLY

Infill on existing estates

The Mayor recognises that within many of the estates that have long lasting Decent Homes backlog funding they will also have the potential to increase the density. In funding works, each Local Authority landlord should discuss with the GLA the potential for infill opportunities and ensure that the works to stock are not seen in isolation to the overall estate regeneration potential.

Each local authority will submit a statement detailing the overall plans for development within each estate where decent homes work is to be carried out. The statement will include overall potential for increasing the density within the estate, whether this includes larger scale demolition of parts of the estate alongside decent homes works. The timescales for the overall estate regeneration proposals and detailed plans should also be included within the statement.

If there are no plans to deliver additional homes within the estates subject to decent homes works then the statement should give the reasons why this is prevented.

Please provide this information within statement 6.

6. CRITERIA FOR FUNDING

In assessing bids for funding we will consider:

- need - the size of the council's backlog as a proportion of the size of its stock;
- efficiency - the amount of funding per unit requested, considering the appropriateness of this in the context of:
 - estimated capital works costs and the effectiveness of the procurement approach;
 - any additional particular stock requirements;

We will be looking to achieve excellent value for money across the Decent Homes Backlog programme. In addition, GLA will want to ensure that any allocation of backlog funding incentivises efficiency across an authority's housing functions and maximises value across housing capital expenditure.

We will also consider the following additional issues;

- The affordability and level of funding within the previous programme budget for 2012/15
- An organisation's capacity to deliver in 2015/16 (evidenced by, for example: a track record of delivery by the organisation managing the capital programme; having frameworks with contractors for an appropriate volume of programme already procured, annuals reviews).
- Whether a council has secured other funding which is dependent on their Decent Homes delivery (e.g. energy supplier obligation funding).
- Value for money and protections available for leaseholders

This information will largely be captured in supporting statement 2 and 4 for leaseholders.

This funding has been made available during the current decent homes backlog investment cycle. Certainty of funding in advance is a great opportunity for bidders to achieve greater economies of scale and additional efficiencies through the framework agreements that are currently in place. This will provide greater assurance to existing contractors and once announced, will give time to work up the 2015-16 programme of works and associated contractual arrangements.

Whilst the written application process is the core of allocation decisions, we want to maintain a dialogue with councils during bidding. This will give councils an opportunity to raise issues for clarification, expand on particular circumstances described in their bid, and discuss delivery in the context of constrained resources. It will also give us a better understanding of how the requested Decent Homes backlog funding fits within the other resources available to a council, and the council's readiness for delivery.

We are therefore asking that any authority intending to bid makes contact with their area manager within the Housing and Land Directorate.

Access to Funding and Funding Expectations

Decent Homes funding is available to council landlords, including all ALMOs and those retaining stock management. Funding is available for the financial year 2015/16 representing one additional and final year to the current 2012/15 Decent Homes Backlog funding Programme.

Jobs and Apprenticeships

The Mayor has a commitment to deliver 200,000 jobs and apprenticeships in his current term of office. We will ask those bidding for Decent Homes funding to explain how they will take a proactive approach to support priority groups into employment and provide workplace apprenticeship

opportunities. As part of the monitoring process we will ask for reasonable/high level information on the nature and number of new jobs and apprenticeship opportunities created.

The Application Process and Timing of Funding

If a Local Authority or ALMO wish to apply for Decent Homes Backlog funding then please email DecentHomes2015-16@london.gov.uk with the message header, Decent Homes Backlog Application 2014. We will then send:

- a copy of the pre-populated application spreadsheet
- guidance for completing the application pro forma
- supporting statement template

The timetable for the allocation process is set out below.

Publication of allocation process by GLA	11 th August 2014
Council applications for funding to GLA	19 th September 2014 - 12 noon
Assessment of applications and points of clarity	September/October 2014
Mayoral Approval and announcements of allocations	November 2014
Contracting with successful boroughs	November 2014 onwards

The completed templates and spreadsheet will need to be returned no later than **12 noon on 19th September 2014** to DecentHomes2015-16@london.gov.uk

Supporting Statements

There are a series of supplementary statements that are required to be submitted in tandem with the detailed data spreadsheet. These in the main cover the qualitative element of the assessment of the bid and clarifications required on the data. Please

Statement 1 - LAHS Data

- To comment on any inaccuracies from the LAHS data and the actual position with regards to levels of non-decent backlog homes.

Statement 2 – Value for Money

- Include details of contractor frameworks

Statement 3 – Funding stock under 10% non-decent

Statement 4 – Capping leaseholder charges

- Answers to structured questions regarding charges to leaseholders

Statement 5 – Environmental Retrofit statement

Statement 6 – Delivery Record and Infill Development

Contracts

There will be a new funding agreement letter in 2015/16 for each successful local authority landlord bidder. There will be extra contractual provisions with regards to monitoring the programme, one addition being the requirement to see the independent auditor's report on the works carried out during the 2015/16 programme.

The second amendment will be to ensure that the leaseholder protections against high costs are enforced.

A new supplementary letter to be read in conjunction with the existing funding agreement letter will be issued to successful bidders with a current programme. A copy of the new supplementary letter, the previous funding agreement letter and contractual terms is available from the website with the schedules that need to be completed over the course of the funding year 15/16.

<http://www.london.gov.uk/priorities/housing-land/improving-quality/existing-housing-stock>

Should a new funding agreement letter be required for new entrants on to the Decent Homes Backlog Funding Programme this will be drafted and no funding will be drawn down until this has been agreed.

Payment of grant

Through the contractual terms of the funding agreement letter on submission of the signed schedule confirming completion of works, grant will be paid in arrears every financial year quarter.

Grant will be paid quarterly in arrears as follows;

- Q1 June '15
- Q2 September '15
- Q3 January '15
- Q4 April '16

2015/16 Decent Homes Backlog Fund contact:

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020 7983 5891

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Chinese

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có văn bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নিচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος
εγγράφου στη δική σας γλώσσα, παρακαλείστε να
επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυ-
δρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں
چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

