



Cabinet Meeting
12 December 2022

**Report from the Corporate Director,
Resident Services**

**High Rise Major Works and Energy Efficiency Programme
2023 - 2026**

Wards Affected:	All Wards
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open Report
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Giuseppe Coia, Major Works and Refurbishments Manager; 020 8937 2652 Giuseppe.coia@Brent.gov.uk ;

1.0 Purpose of the Report

1.1 This report is to advise Cabinet of the proposed high rise major works and energy efficiency programme for 2023 to 2026. The works comprise the major refurbishment of and energy efficiency measures to four tower blocks and 2 small blocks and approximately 100 dwellings within small blocks and converted street properties. A significant volume of the work to the low-rise properties is applicable for grant funding and is dependent upon prompt programme commissioning and delivery.

2.0 Recommendations

That Cabinet:

- 2.1 Approve the variation to the contract with Wates Construction Limited for the Integrated Asset Management, Planned and Cyclical Maintenance and Responsive Repairs Maintenance Works ("IAM Contract") to allow for the reinstatement of the undertaking of major works.
- 2.2 Delegate the commission of a works contract for those matters detailed in Section 4 from the IAM contract to the Corporate Director of Resident Services

in consultation with the Lead Member for Housing, Homelessness & Renters Security.

- 2.3 Approve an extension of the IAM contract in connection only with the works detailed in Recommendation 2.2 that have an approximate completion date of Spring 2025.
- 2.4 Note that the value of the works detailed in Recommendation 2.2 may exceed £40M over 3 years.

3.0 Background

- 3.1 The Cabinet meeting of 13 November 2017 agreed fire safety measures to Council housing stock, including to the high-rise blocks. Fire safety improvements have been undertaken to Council housing in the intervening years. Officers are now planning to undertake the major refurbishment works to the initial four high rise blocks in the borough. These are Kilburn Square, Lodge Court, Manor Court, and Windmill Court. In addition, there are a number of dwellings (100 plus) receiving mainly energy efficiency works, and some fire safety improvement and protection works.
- 3.2 In addition, officers propose carrying out works to the four high rise blocks detailed in paragraph 3.1 and 2 small blocks and approximately 100 dwellings within small blocks and converted street properties to implement key energy efficiency measures. To this end, Officers are submitting a bid for the Social Housing Decarbonisation Funding grant. If successful, this will provide grant funding for key energy efficiency measures such as external wall insulation, high performance windows, and renewable energy equipment. If the grant is not obtained this will create further pressures on the HRA capital budget of circa £1.4M.
- 3.3 Officers are proposing to commission the work under the IAM contract with Wates Construction Limited (“Wates”) for the following reasons:
 - The Social Housing Decarbonisation Fund (SHDF) is currently open for grant bids. This energy efficiency grant and associated works require 60% completion of the works associated to SHDF in the financial year 2023 / 2024 and thereafter the balance in financial year 2024 / 2025. If this timetable and expenditure is not adhered to, then the grant funding will be reduced. Other procurement options would not allow the works to be completed within the timeframes required... Officers, believe that commissioning works via the IAM contract will significantly accelerate the procurement process and facilitate the Council to take advantage of the available grant funding through the SHDF, and to deliver the works for the benefit of tenants and leaseholders. Wates already have considerable knowledge of the all the buildings due to the reactive and planned maintenance works.
- 3.4 The works are required for the following reasons:

- To meet the Council's and the Government's Climate Emergency targets.
- The condition of the properties has been identified as requiring lifecycle element and component replacement, as well as major repairs.
- Significant works are required to the tower blocks. in order they meet the required standard
- In order that the tower blocks achieve their next major lifecycle of at least 40 years further occupancy.
- Properties require refurbishment in order that their condition and performance is equitable to the Council's new build properties.
- Residents fund the ongoing maintenance and lifecycle refurbishment of their homes via rent and leaseholder recharges.
- The SHDF grant funding via the government is currently available and can be accessed for many of the properties. This will significantly reduce the Council's contribution to the overall costs. The completion date for the grant bid process is the 18 November 2022 (internal deadline pre-final review is 28 October.) Thereafter, it is uncertain when the next grant funding will be available for bids.

4.0 Scope of Works

- 4.1 The scope of works is dependent upon element and component condition, age, and the impact from other works that are being undertaken and includes some or all of the following:
- External fabric refurbishment.
 - External or internal wall insulation.
 - Roof renewal or upgrade.
 - New energy efficiency windows.
 - Internal refurbishment including kitchens and bathrooms.
 - Energy efficient heating.
 - New or upgraded mechanical and electrical services.
 - Fire safety improvement and protection works.
 - Other energy efficiency measures.
- 4.2 The list of properties, number of dwellings, and budget estimates is in clause 4.4 below.
- 4.3 The total anticipated grant funding is estimated to be £1.4M. The Council will be required to fund the balance of non-grant funded energy efficiency works from the Capital budget. The Council will also have to fund the non-energy efficiency related works.
- 4.4 In order that the grant funding payment milestones are met, it will be necessary to budget for the following expenditure over the next three years.

Property	Dwellings	Budget Estimate	Target Grant Funding	Council Net Funding	Expenditure 23 / 24	Expenditure 24 / 25	Expenditure 25 / 26	Expenditure 26 / 27
Kilburn Square	86	£ 12,082,235	£ -	£ 12,082,235	£ 4,832,894	£ 6,947,285	£ 302,056	
Lodge Court	38	£ 5,634,090	£ -	£ 5,634,090	£ 2,253,636	£ 3,239,602	£ 140,852	
Manor Court	40	£ 5,441,812	£ -	£ 5,441,812	£ 2,176,725	£ 3,129,042	£ 136,045	
Victoria Mansions	25	£ 1,000,000	£ 312,500	£ 687,500	£ 275,000	£ 395,313	£ 17,188	
Fairlight Court	12	£ 500,000	£ 150,000	£ 350,000	£ 140,000	£ 201,250	£ 8,750	
Windmill Court	138	£ 14,252,883	£ -	£ 14,252,883	£ 1,425,288	£ 7,126,442	£ 5,344,831	£ 356,322
Energy Efficiency Low Rise	100	£ 3,000,000	£ 1,250,000	£ 1,750,000	£ 700,000	£ 1,006,250	£ 43,750	
	439	£ 41,911,020	£ 1,712,500	£ 40,198,520	£ 11,803,543	£ 22,045,183	£ 5,993,472	£ 356,322

5.0 Contractual and Clarification Considerations

- 5.1 There are two key considerations in relation to this programme.
- 5.2 Firstly, which contract arrangement and contractor to engage for the works. Due to the fixed prescribed dates for the works to be undertaken and the grant funding claim process, officers propose to use the current IAM Contract with Wates. Other options would take too long to procure and would mean that the grant funding would be at risk of not being paid in full.
- 5.3 Secondly, Lodge and Manor Court are managed by the Council under a long-term lease. The Council's lease has recently been extended to 2135. Officers are liaising with the freeholder to ensure that there are no issues with undertaking the works. Clause 2(5) of the Council's lease requires it to notify its Landlord of works to the structure, etc. Cabinet's approval of the works would be subject to the Council's Landlord being appropriately notified (and acknowledging the same). (The Council's Landlord also has the right to carry out the major works itself instead and charge this to the Council if it so wishes).
- 5.4 Officers are exploring with the freeholder for Lodge and Manor Court the opportunities to buy the freehold to the two blocks. With the proposed works, it is considered that the blocks will remain habitable for at least a further 40 years with minimal lifecycle planned maintenance.
- 5.5 Notwithstanding the discussion with the freeholder, officers propose that the works to Lodge and Manor will go ahead regardless of the outcome.

6.0 Procurement Considerations

- 6.1 Following the last IAM's contract review, it was decided not to commission any major works to Wates. Wates' performance has now improved sufficiently and it is proposed that Wates will be commissioned to undertake major works for the Council under the IAM contract.
- 6.2 The IAM contract with Wates expires in Oct 2024. The works listed above are expected to take 3 years to complete into financial year 25 / 26. The contract allows for task orders (individual pieces of work) to be issued to Wates during the period of the contract. It is proposed that the work listed above will be commissioned from Wates in early 2023, thus ensuring that all works will either be complete or well in progress by October 2024.
- 6.3 Value for money will continue to be demonstrated by the use of an established contract with a defined price book. To further drive value for money, Wates will operate as a management contractor. Their contractor supply chain will

comprise small and medium enterprises. The procurements will be managed by Brent via the e-tendering portal. The tender evaluation will be jointly undertaken. The contracts will be awarded by Wates as it is their supply chain and ensures that they retain contractual responsibility.

7.0 Leaseholder Implications

7.1 Leaseholders are present in the tower blocks and in the converted street properties. The Council is required as a landlord to maintain the relevant parts of the properties on behalf of the leaseholders, and to recharge accordingly. The tower blocks were built in the late 1960's and as such now require major refurbishment. This is essential in order that the blocks achieve their next major lifecycle of 40 years.

7.2 A series of ongoing repairs alone is inadequate to ensure that the blocks achieve their next major lifecycle as several components require complete replacement. The blocks now require major refurbishment as they are over 50 years old.

7.3 Leaseholder recharges will be calculated in due course once the procurement exercise is concluded. Some of the works will not be rechargeable. Non or partially rechargeable items will include the external wall finish, the heating system, and higher specification windows.

7.4 To mitigate the impact on Leaseholders, the Council is expanding the current leaseholder payment options. Further leaseholder support options that are being proposed include:

- Increase repayment period up to 15 years which is interest free for 5 years and charge interest for year 6-15
- Increase the interest free period for resident leaseholders from 2 years to 5 years for major work bills. No minimum amount.
- Increase 5% discount period up to 12 months for paying in full based for invoice over £1k
- Voluntary charges
- And other legal means of support that may be available at the time.

7.5 Leaseholders will be required to contribute to the costs of any works, which are within the scope of their lease agreements, and where specific grant funding for part of the works in relation to their home is not obtained.

8.0 Programme

8.1 This project is likely to take circa 3 years to complete.

8.2 The outline programme is:

- Cabinet, decision-making, funding, risk register, etc. – Dec 2022
- Preparation of specification, planning requirements – Apr 2023
- Leaseholder consultation – May 2023
- Construction phase – June 2023

8.3 Once Cabinet has approved the works, Section 20 consultation requirements will need to be followed. As these works are proposed to be carried out under a Qualifying LongTerm Agreement, the Notice must be completed in accordance with Schedule 3 of the Service Charges (Consultation Requirements) (England) Regulations 2003 (the 2003 Regulations).

8.4 Because the proposed works will be carried out in accordance with a qualifying long-term agreement, there will only be one stage of consultation. The purpose of this notice is for the Council to send leaseholders information about the proposed agreement, including estimated costs (if known), the reasons for the works, the option to inspect it, and an invitation to submit written comments.

8.5 A detailed programme will be prepared and will include extensive resident consultation and resident profiling. This will determine the support that each household requires, including the option of temporary decant if necessary.

9.0 Financial Implications

9.1 Any major works programme, including those works outlined in this report needs to form part of the Asset Management Strategy and closely align with the budget availability in the HRA 30-year Business Plan. Current budget availability assumed within the existing HRA Business Plan is £15m per annum for the next 30 years. This can be funded through revenue contributions from forecast income received each year, which consists of rent increases and major works cost recovery through service charges. Any expenditure on major works above the baseline of £15m would require additional borrowing to fund the budget gap.

9.2 The inclusion of the high-rise major works and energy efficiency programme together with proposed rent rise limitations, cost inflations and interest rate rises results in an anticipated deficit within the projected budget required to deliver the proposed capital works programme outlined in the draft Asset Management Strategy. After budgets re-profiling and cash flow adjustments, the proposed capital works programme results in an estimated net borrowing requirement in the HRA of £7.5m. A £0.5m saving on average per annum is required to finance this debt, assuming 5% interest rates.

9.3 In context, there is an existing budget gap within the HRA of circa £3M that requires savings to achieve a balanced budget position for 2023/24. It is challenging to find further savings and some difficult options and modifications

to service delivery may need to be considered in order to fund the cost of additional borrowing.

- 9.4 There is an additional risk that if the grant is not obtained, this will create further pressures on the HRA capital budget of circa £1.7m. In addition, as with all capital projects, there is a risk of an overspend against the cost estimates included in this report. This needs to be mitigated and closely managed through the monthly capital programme governance process, namely monthly HCIB and CPB monitoring meetings.

10.0 Legal Implications

- 10.1 This report recommends the variation and commissioning of a work order for major works to a number of dwellings in the borough under the Wates IAM contract. Officers have set out in paragraphs 3.0 and 4.0 the reasons for the proposed variation and commission of the work order under the IAM contract.
- 10.2 The value of the original IAM contract is such that it is subject to full application of the Public Contract Regulation 2015 (PCR 2015). The terms and conditions of the contract allow for work orders to be issued. Officers are proposing to issue a work order for the value of approximately £40m. The commission of the work order would be classed as High Value Contract under the Council's Constitution requiring Cabinet approval. Cabinet is asked to delegate the commission of the works order to the Corporate Director of Resident Services in consultation with the Lead Member for Housing, Homelessness & Renters Security.
- 10.3 The IAM contract allows for Wates to carry out major works. On the 9 December 2019, the Cabinet Member for Welfare and Reform approved the variation to suspend the major works element of the contract for a period or such periods as the Council considers appropriate. Officers are now seeking the reinstatement of the major works element of the contract.
- 10.4 Regulation 72(1)(a) of the PCR 2015 provides that variations to existing contracts are permitted without commencing a new procurement where the variation was provided for within the initial procurement documents. As officers are seeking to reinstate the major works, which were already, provided for within the contract, it would not be considered a breach of Procurement Legislation.
- 10.5 By law, landlords must consult leaseholders before carrying out qualifying work or entering into a long-term agreement for providing services. Section 151 of the Commonhold and Leasehold Reform Act 2002 introduced requirements for consulting leaseholders. It replaced the previous consultation procedure in the Landlord and Tenant Act 1985, section 20, but the old title 'section 20' is still used. Section 20 consultation will need to be carried out as specified above. If this is not carried out, there may be issues with recovering service charges. In addition, there may be works which cannot be charged for as they amount to improvements (energy efficiency works, fire safety works).

- 10.6 If the Council fails to notify its leaseholders of the works, this would put it in breach of Clause 2(5) of its lease. Section 20 consultation will need to be carried out as specified above. If this is not carried out, there may be issues with recovering service charges. In addition, there may be works which cannot be charged for as they amount to improvements (energy efficiency works, fire safety works).
- 10.7 If the Council fails to notify its leaseholders of the works, this would put it in breach of Clause 2(5) of its lease.

11.0 Equality Implications

- 11.1 The Council must, in the exercise of its functions, have due regard to the need to:
- (a) eliminate discrimination, harassment and victimisation
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it,

pursuant to s149 Equality Act 2010. This is known as the Public Sector Equality Duty.

- 11.2 Under the Public Sector Equality Duty, having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.
- 11.3 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.4 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

12.0 Consultation with Ward Members and Stakeholders

- 12.1 The Cabinet Member for Housing, Homelessness & Renters Security has been consulted in regards to this report.
- 12.2 Ward members will be consulted in regards to this report.

13.0 Human Resources/Property Implications (if appropriate)

- 13.1 There are no implications.

Report sign off:

Peter Gadsdon

Corporate Director of Resident
Services