

<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 10 February 2015	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Asset Management Strategy - Kitchens and Bathrooms Programme 2015/16	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Housing	

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR HOUSING**

Over the last four years, this council has worked hard to ensure that our council properties are Warm, Dry and Safe. As that programme reaches its end on 31 March next year, we are now focusing on further housing investment, including putting into action the council's Fairer Future promise to deliver a quality kitchen and bathroom for every council tenant by 2021.

That kitchens and bathrooms programme was due to start in April 2016, at conclusion of the Warm, Dry and Safe programme. However, we are now in the position to bring the start of that work forward.

This report proposes starting work on the new kitchen and bathrooms commitment a year earlier, from this April, to coincide with the final year of the Warm, Dry and Safe programme. Doing so will not only ensure that many tenants will benefit from this work sooner, it will also eliminate any disruption a second round of work might have caused, whilst also saving money through being able to deliver kitchen and bathrooms alongside the works for the final year of Warm, Dry and Safe improvements.

A further report will come forward to March cabinet setting out how the kitchens and bathrooms programme can be taken forward from April 2016 onwards, as part of the broader housing asset management strategy.

## **RECOMMENDATIONS**

That cabinet:

1. Agrees to establish a six year kitchen and bathroom programme to “deliver a quality kitchen and bathroom for every council tenant” by March 2021, as part of a wider asset management strategy.
2. Agrees to the initial 1 year kitchen and bathroom programme set out in Appendix 1 to coincide with the final year of the current Warm, Dry and Safe Programme in 2015/16 to replace kitchens older than 20 years and bathrooms older than 30 years.
3. Instruct officers to consult residents on the proposals for the next five years of the programme, post 2015/16, as part of the overall asset management strategy consultation that will take place borough wide.
4. Notes the progress of the Asset Performance Evaluation of the council's

housing stock carried out in partnership with Savills and the council, that further work is being carried out to test and refine the results of the work to date with a 30 year financial business plan and principles for a future asset management strategy and instructs officers to bring these forward for cabinet approval in March 2015. This report will be considered by cabinet in March 2015.

## **BACKGROUND INFORMATION**

5. Following the Housing Commission report in 2012 the council engaged Savills to carry a Stock Options Appraisal. Their final report was issued in June 2013. This noted that:

‘The development of an active policy of managing housing assets which challenges the value for money of each investment decision, based on an analysis of both the value of future cashflows, and the extent to which investment meets the council’s social housing objectives could improve long term business plan capacity and resident satisfaction.’

6. Subsequently Savills were instructed to carry out further work in conjunction with the council with the Next Steps on Developing Long Term Plans for the Delivery of New Council Homes report which was presented to cabinet in July 2014, noting that a comprehensive appraisal of the overall performance of current Housing Revenue Account (HRA) assets was being undertaken and that the outcome would be reported back to cabinet.
7. The aim of this review was to:
  - consider operational cash flows at a local level and assess their worth to the housing business to provide a measure of financial performance
  - identify non-financial measures of social sustainability and to provide an analysis of this at the same local level.
8. A report will be presented to cabinet in March 2015 detailing the outcomes from the Savills report and Asset Management proposals for consultation, including the successor to the current WDS programme and a planned preventative programme of investment in the council’s existing housing stock.

## **KEY ISSUES FOR CONSIDERATION**

9. This report set out how the council will implement the manifesto commitment “*to deliver a quality kitchen and bathroom for every council tenant*”. Based on the initial findings of the Savills report the council can be confident that it has the financial capacity to deliver this promise and that the programme start for kitchen and bathroom replacement can be brought forward to begin in 2015/16 for the oldest kitchens and bathrooms on estates that are already programmed to receive Warm Dry Safe (WDS) works during 2015/16.
10. This report outlines proposals for the initial delivery of this promise, with further details of how the remaining kitchen and bathrooms renewals will be delivered by 2021 to be included in the asset management strategy, the principles of which will be brought forward for cabinet approval in March 2015.
11. The main objective of the current WDS programme is to have 90% of all homes in Southwark meeting the decent homes standard by 2016: however, while the current WDS programme includes some works to bathrooms, it does not include

similar works to kitchens unless there are serious health and safety issues present.

12. The council's 5 year WDS programme was agreed on the 18 October 2011 by cabinet and detailed a £326m investment programme. This is one of Southwark's Fairer Future promises.
13. The key components of the programme are:
  - a. The main WDS estates and street properties programme (electrics, windows, roofs, bathrooms, doors, boilers as well as other external repairs)
  - b. Lift, individual boiler, district heating and electrical works programmes
  - c. The existing investment two-year programme and the high priority FRA schemes
  - d. Expenditure on major voids and voids capitalisation.
14. The programme equates to the Government's Decent Homes Standard. These principles are:
  - a. **Warm** – modern functioning heating, well insulated roofs, windows in good condition or double glazed with secure locks, sliding window vents and restrictor hinges where needed, draught excluders on front doors, cavity wall insulation
  - b. **Dry** – roofs, windows and building fabric in good condition, free from water penetration and damp
  - c. **Safe** – modern electrics including rewiring where necessary, secure front doors (fire rated where necessary).
15. Over £237m had been spent on WDS at the end of 2014. The 2 year WDS programme is now complete and all the WDS 2012 major works schemes are completed or on site. Eight of the WDS 2013 major works schemes are committed and a further two schemes to be committed this year, the remaining WDS 2013 programme has been subject to wider regeneration considerations. The majority of the rest of the programme from the WDS 2014 and WDS 2015 programme is being packaged and is expected to be on site by early 2015/16 with over 30 schemes already committed or completed.
16. There are three WDS High Investment Needs (HINE) schemes. Four Squares and Hawkstone are on site and progressing well. The main Abbeyfield scheme (Maydew) is now due to start on site in 2015/16.
17. Fire risk assessment works have reduced risk on assessed high and upper moderate risk high rise blocks and further works are planned to 'substantial' risk medium rise properties alongside the WDS programme.
18. The council's WDS standard has focussed on the external structure of estates and street properties, and carrying out works to those in the worst condition first. This has meant that the structure and external elements will meet the WDS standard on completion of the programme. Resident satisfaction on completed works on the main WDS refurbishments in 2013/14 was 86% and to quarter 2 in 2014/15 was 91%, but going forward, there is an expectation that the asset management strategy will address the wider investment needs including internal works such as kitchens and bathrooms as well as the need for cyclical maintenance.
19. The Government's Decent Homes (DH) standard assesses kitchens and bathrooms under two separate headings: 'disrepair' and 'modern facilities'.

Under the *disrepair* criterion a kitchen needs to be 30 years old and in poor condition, and a bathroom 40 years old and in poor condition, before it could fail the DH standard. Under the *modern facilities* criterion a modern kitchen is defined as being less than 20 years old, and a modern bathroom less than 30 years: condition is not a factor.

20. It is proposed that the council's new kitchen and bathroom (K&B) installation programme be based solely on age and not on condition. The main reason for pursuing an age-based renewal programme is fairness. Age is a more objective measure than condition for kitchens and bathrooms, and therefore a more straightforward criterion for identifying qualifying kitchens and bathrooms; whereas 'condition' is open to broader and more subjective interpretations, and therefore challenge. The intention is to assess each kitchen and bathroom independently of each other and break the somewhat confusing link between the condition of kitchens and bathrooms as formulated in the Government's Decent Homes standard.
21. The modern facilities age criteria derived from the DH standard is recommended to be used to determine when a dwelling is eligible for a new kitchen or bathroom.
22. This would mean replacing all kitchens that will be more than 20 years old, and all bathrooms that will be more than 30 years old at the same time as the property has works carried out within the future cyclical works programme. By applying this standard independently of the other items normally assessed under the *modern facilities* criterion, we will ensure that the quality of our tenants' internal facilities significantly exceeds the Government's Decent Homes standard.
23. A proportion of kitchen and bathroom renewals has been added to the final year (2015/16) of the current WDS estates programme, with plans being worked up for a future cyclical programme to install the balance of kitchens and bathrooms required from April 2016 to March 2021 to both estates and street properties.
24. The council has already committed to delivering the current WDS programme. To deliver the initial year of the kitchen and bathroom programme alongside the last year of the WDS programme provides value for money as the site set up will already be required as part of the current programme and the personnel resources are largely in place for both the contractors and for Southwark staff overseeing the works.
25. There are likely to be a significant number of qualifying kitchens and bathrooms on estates where major works are due to take place as part of the 2015/16 WDS programme. This scenario proposes that the oldest kitchens and bathrooms will be renewed while the WDS works are on site during 2015/16. Appendix one sets out the estates in the WDS programme in 2015/16, and a large number of these are likely to meet the criteria for kitchen and bathroom replacement.
26. The stock condition database gives some indication of the number of properties currently requiring a kitchen and bathroom as 35% of properties have been surveyed previously. Additional surveys will be carried out by the contractors to assess the actual number of kitchens and bathrooms which require renewal. Those which will require future renewal will be included in the ongoing cyclical maintenance programme.

27. The unit rates used will be derived from the existing partnering contracts, delivering WDS works alongside the proposed additional refurbishment of kitchens and bathrooms. The rates contain provisions to account for more expensive works likely to be required at a substantial number of properties. These include additional works that may be required such as re-location or replacements of boilers during kitchen upgrades, properties with separate bathrooms and WCs, multiple bathrooms or adapted bath/shower rooms.
28. It is intended to review these rates within the first year of the K&B programme. The partnering contractors have not carried out any large-scale kitchen and bathroom replacements so far and it is expected that some savings will be achievable through bulk purchases and further price harmonisation, but these are not yet quantifiable. The actual costs of works during the first year will be monitored closely and used to make revisions for the subsequent programme.
29. Consideration should also be given to the likely impact on tenants' satisfaction as the programme is rolled out. Clearly residents in the final year of the WDS programme will benefit from an increased scope of internal works. It will be important to communicate the proposals effectively to all residents that the 1 year kitchen and bathroom programme is intended to be part of an ongoing programme of works which will ensure that all properties that require kitchens and bathrooms will be included in a future works programme.
30. It should be noted that the Aylesbury Estate has been excluded from officers plans to develop an ongoing asset management strategy, including kitchens and bathrooms renewal because it is part of a separate estate regeneration programme.
31. High Investment Needs Estates (HINE) are also excluded from the future programme because kitchens and bathrooms have already been renewed where required on these estates because of the higher specification required to bring these properties up to the Government's Decent Homes standard.

### **Policy implications**

32. The council plan confirmed our ten Fairer Future promises, a set of key commitments to the residents and businesses of Southwark that outline the things we will be working towards as an organisation to create a fairer future for all. The updated promises were approved by cabinet on 2 July 2014.
33. A structured approach to asset management supports three of these promises in particular through providing a structure for prioritising and making investment decisions. Such investment decisions may be investment in our properties but may also be to improve the conditions of local area for all of Southwark residents.

- Promise 1 – Value for Money

We will continue to keep council tax low by delivering value for money across all our high quality services. The structured asset investment approach will look at priority estates and set out the options for each estate to ensure that Value for Money is achieved from the investment being made.

- **Promise 3 – Quality Affordable Homes**

We will improve housing standards and build more homes of every kind including 11,000 new council homes with 1,500 by 2018. We will make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee. This approach will enable priorities for financial resources to be balanced between existing stock and the delivery of the new homes programme.

- **Promise 9 – Revitalised Neighbourhoods**

We will revitalise our neighbourhoods to make them places in which we can all be proud to live and work, transforming the Elephant and Castle, the Aylesbury and starting regeneration of the Old Kent Road. This approach will both improve the physical aspects of our existing housing assets but also look at the wider social economic aspects of the areas in which they are situated.

### **Community impact statement**

34. Improving housing in Southwark is central to the council's wider plans to create a fairer future for all. Access to appropriate, good quality, genuinely affordable homes is important not just for residents but also to the wider economy and essential to shaping a borough that all residents can be proud of and which is truly sustainable into the future. A key part of this is the active management of current council housing assets that this report addresses to ensure that they play their part in continuing to make a positive impact on the community.
35. With regard to locations where the decision is taken to proceed with either new council housing or investment in existing stock those living in properties with major works or close living close to new developments may experience some inconvenience and disruption in the short-term, while works are taking place but communities as a whole will benefit in the longer term.
36. In local areas, the effects will be mitigated by working closely with residents on the delivery process and using experience gained on a significant number of recent projects. Residents will continue to be at the centre of and involved in developments that take place. Where financially viable other positive community impacts will also be included as part of the works or development.
37. The works will provide a better standard of accommodation for tenants and contribute to improved general health and well being. Due consideration will be given to those tenants with specific needs both during works and after completion.

### **Economic considerations**

38. Successful works contractors will be expected to deliver direct benefits to the local community and local residents. It is proposed that these benefits will be delivered through some or all of the following possible means during the enabling works contracts, if available and possible but especially so during the progress of the main construction works:

- Supply chain and procurement with local businesses;
  - Use of local labour and training initiatives, including a construction employment, skills and training scheme linked to the council's Building London Creating Futures programme, which aims to match local residents with construction vacancies especially where these are linked to key development sites and regeneration activities;
  - A commitment to construction apprenticeships in proportion to the size and scale of the development; and
  - Corporate social responsibility and sustainability.
39. Where appropriate Planning Consent Conditions for projects will include targets for employment and training opportunities with employment and training packages being agreed in consultation with the senior strategy officer of the chief executive's corporate strategy team.
40. Construction personnel and, once occupied, staff, residents and visitors using the new building are likely to bring economic benefit to local traders through increased trade.

### **Social considerations**

41. The appointed contractors will carry out the works under the Considerate Contractor scheme, which seeks to minimise disturbance and disruption in the locality during the construction phase.
42. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful contractor for this contract will result in quality improvements for the council. These should include a higher calibre of multi-skilled operatives that will contribute to the delivery of works on site and will provide best value for the council. It is therefore considered appropriate for the payment of LLW to be required. Anticipated benefits include a more incentivised workforce and improved staff retention. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

### **Environmental considerations**

43. The code for Sustainable Homes requirements will cover the construction process as well as design and specification and will set targets for minimising the adverse environmental impact of carrying out the works for each project.
44. The project briefs prescribe materials and components to be specified for the works. In terms of excluded construction materials, good practice is to be adopted:
- Asbestos products: not to be specified
  - Brick slips: only to be used where cast onto pre-cast elements as risk of failure is unacceptably high
  - Man-made mineral fibre (MMMf): the material to be encapsulated in all applications
  - No insulation materials in which hydro fluorocarbons (HFCs) are used in their

- manufacture or application
    - No hardwood unless from FSC or equivalent sources.
45. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum, will be an essential component of the project brief. Key considerations will include:
- Consideration of whole life-cycle costs;
  - Sustainable sourcing, including locally produced materials and, where possible, timber from renewable resources.
  - Selection of contractors should take into account their environmental policies;
  - Incorporation of environmentally benign heating and lighting provision;
  - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practicable, water recycling;
  - Ensuring project achieves Code for Sustainable Homes criteria

### **Consultation**

46. The renewal of kitchens and bathrooms is a manifesto commitment by the administration “*to deliver a quality kitchen and bathroom for every council tenant*”. This commitment is being aligned with the WDS programme to deliver the first year of the kitchen and bathroom programme in 2015/16.
47. The remaining programme will be subject to a formal consultation process as part of the overall consultation on the asset management strategy on how the council will deliver it’s commitments including “*to deliver a quality kitchen and bathroom for every council tenant*” and maintain its homes over the next 30 years.

### **Resource implications**

#### **Financial issues**

48. As part of the recent capital refresh in March 2014, cabinet approved a revised programme of investment in the housing stock over the next ten years totalling in excess of £1 billion, which included a provisional sum of £186.3m for kitchens and bathrooms. The provision for the ongoing cyclical kitchen and bathroom programme will be considered as part of the asset management strategy consultation.
49. There are no leaseholder implications arising from this proposal as the individual leaseholder is responsible for internal works under the terms of their lease and are excluded from this works programme.

#### **Budget issues**

50. The business plan will be used to inform individual years’ budgets

#### **Staffing issues**

51. There are no staffing issues arising directly from this report at this stage.



## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

52. This report requires cabinet to agree an initial 1 year kitchen and bathroom programme to coincide with the final year of the current WDS programme in 2015/16 and to note a number of actions. There are no specific legal implications arising regarding the recommendations noted in this report. Officers from legal services will continue to provide legal advice (when required) to the WDS programme.

### Strategic Director of Finance and Corporate Services

53. This report sets out proposals to bring forward the roll-out of the kitchens and bathrooms works programme into 2015/16 to run concurrently with the final stage of the WDS programme. These works were provisionally included in the HIP approved in March 2014, and the programme will be considered as part of the consultation on the asset management strategy, which will also seek to identify the resources to address the long-term investment needs of the housing stock.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix 1	List of estates in the 2015/16 WDS Programme (to follow)

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Housing	
<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing and Community Development	
<b>Report Author</b>	David Markham, Head of Major Works and Council Homes Delivery	
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<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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