

Committees:		Dates:
Projects Sub-Committee		11/05/2016
Community and Children's Services Committee		13/05/2016
Subject: Decent Homes at Dron House, Golden Lane, Southwark, Sydenham, Windsor, and York Way Estates.	Gateway 3/4 Options Appraisal	Public
Report of: Director of Community & Children's Services		For Decision
Report author: David Downing, Community & Children's Services Department		

Summary

Dashboard

Project Status	Green
Timeline	Procurement - to January 2017 Gateway 5 / Authority to Commence Works – February 2017 Contractor Appointed – April 2017 Works Start – July 2017
Programme status	Pending Approval of Gateway 3/4 – Options Appraisal
Latest estimated cost of works	£3,474,000
Expenditure to date	Survey Costs £8,000 Staff Costs £2,000
Total Project Cost	£3,904,000

Progress to Date (including resources expended and any changes since previous Gateway)

A desktop exercise identified that circa 660 properties may require works to kitchens, bathrooms or heating systems to bring them up to the Decent Homes standard. Since the previous Gateway, surveys have been completed to 402 of these properties.

At the previous Gateway, it was anticipated that these surveys would be carried out by members of the property services team at an estimated cost of £10,000 of staff time. However owing to resourcing pressures, it was decided to commission an external surveyor to undertake the work. This was at a cost of £8,000, with staff time estimated at £2,000. There was therefore no change in the amount required, rather just a change in where costs were allocated.

City Fund flats at Spitalfields are now excluded from the project due to their potential inclusion in the asset realisation strategy.

Overview of Options

As approved at Gateway 1/2, there is one practicable option for this project – procuring a

principal contractor to complete the necessary works to replace kitchens, bathrooms and central heating systems at these estates (Option 2 at previous Gateway). Option 1, undertaking works reactively as items failed was not recommended as it is poor practice to wait for items to fail, and more expensive to address these failures individually.

Proposed Way Forward

The proposed way forward is to proceed with Option 2. It is not recommended to undertake any further consideration of Option 1, therefore, the matrix below solely reflects Option 2.

Procurement Approach

The department holds a specification for Decent Homes works. This will be edited to reflect any local differences found during the surveys at the estates for this project. The works will be advertised as one lot, which means one principal contractor will be responsible for the delivery. The previous Decent Homes project (relating to Avondale, Holloway and William Blake Estates) was procured successfully in this manner. High levels of interest were expressed and more than 30 contractors submitted a full tender.

Financial Estimates – number of properties

Where access has not yet been gained to an individual property, an assumption of decency/non-decency has been made on a proportional basis using the results of the properties that were surveyed. (Percentage of non-decent of those surveyed at each estate is shown in brackets):

Estate	% Tenanted Properties Surveyed where works may be required	Projected Non-Decent Kitchens at an estimated cost of £5000.	Projected Non-Decent Bathrooms at an estimated cost £3000.	Projected Non-Decent Heating Systems at an estimated cost £4500.
Dron House	63% of 35	29 (81.82%)	19 (54.55%)	0 (0.00%)
Golden Lane	57% of 147	70 (47.62%)	70 (47.62%)	n/a
Southwark	64% of 222	151 (67.83%)	158 (71.33%)	12 (5.59%)
Sydenham	68% of 34	18 (52.17%)	24 (69.57%)	1 (4.35%)
Windsor	63% of 72	67 (93.33%)	62 (86.67%)	14 (20.00%)
York Way	54% of 134	77 (57.53%)	97 (72.60%)	0 (0.00%)
Total Estimate of Non-Decent		411	431	28
Estimated Costs		£2,055,000	£1,293,000	£126,000
Total Works Costs		£3,474,000		

Table with Financial Implications

Description	Option 2
Works Costs	£3,474,000
Fees (Clerk of Works, QS)	£215,000
Staff Costs	£215,000
Total	£3,904,000
Funding Strategy	
Source	Housing Revenue Account (HRA)

Recommendations

1. Approval of the proposed project approach.
2. Approval of the estimated budget of £3,904,000
3. Approval of £15,000 staff costs & fees to reach the next Gateway.
4. Retrospective approval of the conversion of £8,000 of the £10,000 staff costs (approved at Gateway 1/2) to fees.

Options Appraisal Matrix

See attached.

Appendices

Appendix 1	PT4 – Committee Procurement Report
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Contact

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Options Appraisal Matrix

	<i>Option 1</i>
1. Brief description	A structured programme of works to bring the kitchen, bathroom and central heating facilities within tenanted, residential properties up to modern, 'Decent Homes' standards.
2. Scope and exclusions	<p>Scope: Properties owned by the City and leased on rental agreements to tenants at Dron House, Golden Lane, Southwark, Sydenham, Windsor, and York Way Residential Estates.</p> <p>Exclusions: Properties that are rented to leaseholders on long-lease agreements. Tenanted properties in which all facilities are modern and meet the criteria for Decent Homes. Heating replacement in tenanted properties at Golden Lane which is covered by a separate project. Heating replacement at three blocks (Kinefold House, Penfields House, Lambfold House) at the York Way Estate which are heated by communal systems. Flats at Spitalfields potentially identified for asset realisation.</p>
<i>Project Planning</i>	
3. Programme and key dates	<p>Procurement - to January 2017</p> <p>Gateway 5 / Authority to Commence Works – February 2017</p> <p>Contractor Appointed – April 2017</p> <p>Works Start – July 2017</p>
4. Risk implications	<p>Low overall risk.</p> <ul style="list-style-type: none"> This type of work forms part of the core function of this department and has been carried out successfully on numerous previous occasions.

	<i>Option 1</i>
	<ul style="list-style-type: none"> • The numbers of properties and associated costs may fluctuate through the project due to the significant number of properties yet to be surveyed but will be closely monitored. • The procurement of the contractor will be carefully structured to ensure the contractor has both sufficient previous experience of this type and scale of project and appropriate levels of financial capacity.
5. Benefits and disbenefits	<p>Benefits</p> <ul style="list-style-type: none"> • Preservation of the City of London Corporation's assets. • Improved living conditions for residents. • Compliance with Decent Homes legislation and regulation. • Potential enhancement to Right-to-Buys sale value.
6. Stakeholders and consultees	<p>Members and Ward Members. Officers including City Surveyors, Chamberlain's, Housing and Neighbourhood Management and Town Clerk's. Residents of the relevant properties.</p>
<i>Resource Implications</i>	
7. Total Estimated cost	£3,904,000.00
8. Funding strategy	The works will be funded by the Housing Revenue Account (HRA)
9. Estimated capital	N/A.

	<i>Option 1</i>
value/return	
10. Ongoing revenue implications	Following the completion of the project, the installations will be maintained through the existing reactive repairs and maintenance contract. All properties are currently included in this reactive contract; therefore there will be no cost increase to the contract.
11. Investment appraisal	Timely intervention and replacement reduces spend on reactive repairs and maintenance as unexpected failures occur less frequently.
12. Affordability	These works are a necessary part of rolling maintenance of the City of London Corporation's Housing stock. The works have been anticipated and budgeted for in the 5 and 30 year Asset Management Plans.
13. Legal implications	Failure to maintain homes to the required standard has scope for legal challenge.
14. Corporate property implications	It is important that the City's assets remain in good, safe and statutory compliant condition. Therefore all necessary action should be taken to ensure that assets are kept as such throughout the assets' lifetime.
15. Traffic implications	The detail of the traffic plan for the installation phase will be agreed with the successful contractor.
16. Sustainability and energy implications	The installation of new central heating systems will offer improvements in energy efficiency and sustainability which may be sufficient to demonstrate an improvement in the overall SAP rating of the City's housing stock, this will be assessed.
17. IS implications	N/A.

Option 1													
18. Equality Impact Assessment	The proposed works will not have an impact on equality or protected characteristics. The delivery phase of the works will be carefully planned and implemented in conjunction with residents to ensure no adverse impacts.												
19. Recommendation	Recommended												
20. Next Gateway	Gateway 5 - Authority to Start Work												
21. Resource requirements to reach next Gateway	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Item</th> <th>Reason</th> <th>Cost (£)</th> <th>Funding Source</th> </tr> </thead> <tbody> <tr> <td>Staff Costs</td> <td>Undertaking tender process, completing the contract letting and pre-start processes.</td> <td>£10,000</td> <td>HRA</td> </tr> <tr> <td>Principal Designer</td> <td>Advising on the suitability and health & safety of final designs.</td> <td>£5,000</td> <td>HRA</td> </tr> </tbody> </table>	Item	Reason	Cost (£)	Funding Source	Staff Costs	Undertaking tender process, completing the contract letting and pre-start processes.	£10,000	HRA	Principal Designer	Advising on the suitability and health & safety of final designs.	£5,000	HRA
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