

North East Derbyshire District Council

Cabinet

17 December 2014

**Low Rise External Wall Insulation (EWI) Cladding and Thermal Insulation
Programme for NEDDC Non Traditional Housing Stock**

**Report No EAH/22/14/LS of Councillor Mrs E Hill, Portfolio Holder with
Responsibility for Housing Strategy and Social Inclusion (supported by Councillor
M Gordon)**

This report is public

1 Purpose of the Report

- 1.1 To obtain Cabinet approval for Rykneld Homes Ltd (RHL) to prepare detailed proposals for an external wall insulation (EWI) programme and related structural repairs of up to 1,000 low rise Non traditional Council owned houses in conjunction with energy generators required to provide energy company obligation (ECO) funding over 2 years 2015 -2017 as a further step to reduce the long term problems with the Councils non traditional stock.
- 1.2 To obtain Cabinet approval to prepare detailed proposals to use Housing Revenue Account (HRA) headroom borrowing to support the proposal in 1.1 above to meet the potential gap between the cost of the proposed EWI programme, the ECO funding available and to maximise the benefit of the works by including replacement, windows and roofs in the programme where required.

2. Report Details

- 2.1 Rykneld Homes manage all the Council owned housing stock (approximately 8,000 properties). Within the stock approximately 3,400 are categorised as being of a non-traditional construction. The Council and Rykneld Homes has recognised the need to address the identified issues with the non traditional construction type of property and over the last two years has commenced schemes to deliver solutions to approximately 10% (312 homes) of this stock through regeneration schemes such as Trusteel`s and Tarran`s programmes.
- 2.2 Trusteel properties are built with a steel frame and brick walls. In many cases the steel frame could become rusted and therefore unsound. Structural work has been undertaken on 213 Trusteel properties to remedy any structural condition and protect the property from further deterioration through external wall insulation. This work was undertaken during 2013/14 and completed in early 2014/15.

- 2.3 The second major project commenced was the replacement of 99 “Tarran” properties in Eckington and Killamarsh. This is a scheme that is currently in progress where 99 Tarran properties will be demolished and replaced by 99 new modern built properties on the same site. This scheme is expected to be completed by August 2015.
- 2.4 The current plans mean that some 312 non traditional properties will have been dealt with over the last two/three financial years. These actions address the non traditional issues identified and also extend the life expectancy of the asset owned by the Council. Perhaps more importantly these actions have resulted in the provision of a better standard of property for our tenants.
- 2.5 Officers have been exploring how we may now deal with some of the other non traditional type properties in order to continue the long term plan to tackle these properties. One of the main issues with non traditional properties is that they are damp and cold. The joints between concrete panels suffer from cold bridging at the joint locations and damp associated with this as the joint material is failing due to its age. These properties are also difficult to insulate. We have identified that approximately 1,400 of the non traditional properties cannot be insulated, due to having solid walls or structural systems that are not suitable to receive cavity wall fill/insulation. These homes are therefore more difficult and expensive for tenants to heat and have associated problems with condensation, damp and mould.
- 2.6 The recommended solution for some of these 1,400 properties (which includes “Reemas” and “No Fines” build types) is that they receive external wall insulation to improve the thermal performance of the homes as well as ensuring the external envelope is made weather tight. EWI basically involves building an external “skin” around the property to seal up the panels to prevent the damp and cold issues. In many of these properties the EWI works would need to be supplemented by further key structural works. Some of these properties have roofs that are over 60 years old and some have inadequate windows and doors for the EWI to be effective. It would therefore not be cost effective to undertake EWI works when the property needs either a new roof or new windows or doors (or both). However, until detailed survey works are undertaken the full extent of the “secondary” structural repairs can only be estimated. However, the age of the roof, windows and door components in most of these properties are now beyond the expected life therefore it is a fair assumption that the majority will require additional works. Experience also shows that in a scheme like this there would be costs incurred where gas, electric, TV, phone and drainage issues are encountered.
- 2.7 A programme of work to undertake EWI and the secondary structural repairs would not require the tenant to be decanted although it is recognised that some disruption to the tenant will inevitably be incurred. A full tenant liaison plan would need to be developed alongside the works programmes.
- 2.8 The benefits of undertaking the EWI and additional structural works mean that the asset structure is fully refurbished which will extend the asset life for at least a further 30 years. The tenants will benefit from having a warm, damp free home, the cost of heating the property will be reduced which reduces the carbon footprint of the Council for each property refurbished. Ongoing maintenance costs arising from roof repairs and damp issues will also be prevented.

- 2.9 During 2013/14 Rykneld Homes obtained (ECO) funding to undertake External Wall Insulation (EWI) works to approx 330 non traditional Council houses. Work was commenced however, due to changes in the system for providing this funding the energy company involved cancelled any further support and only 49 of the proposed units received the works. Until recently the energy companies have not engaged with this type of project however that position has now changed and a number of the big six energy companies have indicated a willingness to fund a new EWI scheme, albeit at reduced levels from what was previously available.
- 2.10 A proposed programme of EWI works would have a significant reduction to the carbon footprint. This ties into the Governments plans and the energy company carbon reduction targets. Initial investigations show that this scheme meets all the criteria the energy companies set out to receive Energy Company Obligation “ECO” grant funding. The grant funding is based on the reduction in carbon emissions per tonne. Initial indications are that grant funding sum of up to £3,300 per property may be available. However, the funding level would need to be negotiated with each of the obligated energy companies consulted.
- 2.11 This proposed improvement programme represents an opportunity for the Council and Rykneld Homes to revitalise the look and feel of the estates where these properties are located, making a significant impact on the neighbourhoods, as well as improving the comfort of the homes of the tenants. Such investments in improving the conditions of housing have a direct impact on health and the wider community and economy. The following are important factors and benefits about the low-rise external wall insulation programme.
- Wherever possible costs will be reduced by maximising ECO funding and any other eligible grants.
 - The improvements will keep the properties in good condition and prolong their use beyond at least 30 years.
 - The improvements will significantly improve the living conditions of 2,000 - 3,000 residents.
 - It will contribute to NEDDC commitment to reduce CO2 emissions.
 - We will seek to use the momentum from this programme to increase uptake of similar works amongst private householders in surrounding areas.
 - It will help to reduce fuel poverty and mitigate the impacts of welfare reform.
 - The maintenance problems of these buildings (leaking roofs, internal damp and condensation, draughty windows, cracked and spalling concrete) will be reduced.
 - Encourage residents involvement and co-operation.

2.12 Procurement

The procurement arrangements are still to be determined however, the energy companies are very keen to commence contract negotiations with Rykneld Homes and the Council. They have indicated that they would prefer to manage all the separate elements of the works (i.e. the secondary structural works) within one contract in order to efficiently manage the works at each property (scaffolding already in place for EWI, roof and windows), meet the tight delivery requirements they have, which in-turn reduces the time required to complete each property and therefore minimises the disruption to the tenant. It would be essential that Rykneld Homes and the Council consider the procurement options of at least three energy companies in order to demonstrate best value is achieved.

2.13 Timescales

To ensure the "ECO" grant funding is secured the project will need to be completed by 31 March 2017 which is the deadline for the energy companies to meet the Government targets. The timescale required to deliver each property is not yet known however, to deliver 1,000 properties within 2 years would require 10 completions per week which is quite a significant challenge and therefore may not be deliverable in the timescales we are looking at. However, should it be possible to commence earlier than 1 April 2015 then more properties could be completed in the allocated time.

2.14 Estimated Scheme Costs

The cost of undertaking a programme of work of this size will need careful planning with the provision of detailed costs before a firm decision could be taken.

Initial estimates for the various elements of the programme are as follows:

EWI work is expected to be between £7,000 and £8,000 per property prior to the ECO funding. A roof replacement is estimated at £4,000 per property, windows and doors up to £2,500 and utility costs £1,000 (gas, electric, TV, phone and drainage). Further costs will be incurred to cover project management and tenant liaison. It is difficult to ascertain the full costs per property as detailed survey works will be needed to determine the state of the roof, windows and doors for each property.

2.15 Based on the very early estimates above and if a programme of up to 1,000 properties is undertaken with an estimate of 60% of the properties needing a new roof and windows then the cost would be around £10.5m, if the percentage of new roofs and windows increases to 75% this increases the scheme to £11.5m. A smaller programme of say 500 properties at the 75% level would be around £5.7m and at the 60% replacement level £5.2m.

2.16 These are just initial estimates at this stage and are included to give an early indication of the scheme costs. Should the project be developed further all these costs will be revisited in detail to firm up the projected scheme costs.

2.17 The project would deliver a long term solution to up to 1,000 non traditional properties (29%) and take the overall tally of refurbished non traditional properties to 1,312 or 38%.

2.18 Financing of the scheme

The financing of a scheme of this scale would need to follow the financing route applied to the Tarran Scheme in that Prudential Borrowing is undertaken against the HRA headroom. At 31st March 2015 the borrowing headroom is forecast to be £14.4m.

2.19 Affordability

It is very important that the affordability of prudential borrowing is considered when looking at a scheme of this scale. The HRA needs to remain on a sound financial basis and be able to meet the debt charges that financing such a scheme would incur. Borrowing £5.7m over 25 years would cost in the region of £0.408m per year to the HRA. To demonstrate the affordability of such a scheme the HRA business plan would need to be considered and carefully reviewed.

3 Conclusions and Reasons for Recommendation

- 3.1 A low rise EWI programme would keep the properties in good condition and prolong their use beyond at least 30 years and reduce future maintenance problems of these buildings. The proposals deliver a long term solution to part of the current non traditional housing stock.

4 Consultation and Equality Impact

- 4.1 Detailed consultation would be undertaken with the communities affected by the proposed works including open events where both tenants and owner occupiers will be able to discuss the proposals in detail as previously undertaken on the Trusteel scheme. When developing each programme we would work closely with local Ward Councillors, the housing portfolio holder and the housing strategy team to maximise the benefits of the proposals.
- 4.2 To assist with effective communication, we would require the energy company providing the funding to agree and assist in the delivery of an integrated communications and support process to ensure the benefits of the proposed scheme are promoted. Tenant Liaison Officers would provide support throughout the delivery of the proposed programme.

5. Alternative Options and Reasons for Rejection

- 5.1 An option would be not to carry out any over-cladding or insulation, therefore not incurring this capital expenditure. However, this option would not slow down the physical deterioration of the fabric of these buildings. If unchecked, this could eventually make them uninhabitable and have a negative impact on rental income. The rate of deterioration would be matched by a rise in the costs of reactive repairs and would do nothing to improve the living conditions of residents.
- 5.2 A delay in seeking ECO funding could be considered in an attempt to maximise the level that could be received. Under the previous scheme the funding met approx 65% of the cost of the works and indications are that current levels are likely to be at 50%. However it is extremely difficult to predict how funding via ECO may change in the future and it may reduce as well as increase.

5.3 In the long term, opting to over-clad and insulate the selected properties will increase their long-term value as capital assets, increase and prolong their utility value as social housing units and ensure that neighbourhoods are attractive places to live in.

5.4 Furthermore, those tenants already affected by fuel poverty will likely become poorer as fuel prices rise. With fewer tenants having the financial means to heat and control comfort levels of their homes, condensation and damp related issues will invariably increase and further aggravate the deterioration of the housing stock with resultant health impacts on tenants.

6. Implications

6.1 Covered throughout the report

7. Finance and Risk Implications

7.1 The proposals do have financial implications for the Housing Revenue Account and initial details have been provided in this report. Should the Council approve the recommendations a fully priced business case will be prepared.

7.2 A risk register would also be developed as part of the business case proposal.

8. Legal Implications including Data Protection

8.1 These would be identified during the development of the detailed proposals.

9. Human Resources Implications

9.1 The proposal can be managed within existing resources

10. Recommendations

10.1 That Cabinet agree that Rykneld Homes prepare detailed proposals for an external wall insulation programme including related structural repairs of up to 1,000 low rise non traditional Council owned houses. The detailed proposals to be presented in a business case report to Cabinet for consideration at a future date.

11. Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Create jobs, build skills and attract capital Investment, Look after the environment Improve people's health

12. Document Information

Appendix No	Title
None	None
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
None	
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AGIN 6 (CAB 1217) Non Traditional Housing Stock/AJD