

North East Derbyshire District Council

Cabinet

18 February 2015

External Wall Insulation (EWI) and Capital Repairs Programme for NEDDC Non Traditional Housing Stock
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Report No EAH/03/15/NC of Councillor Mrs E Hill, Portfolio Holder with Responsibility for Housing Strategy and Social Inclusion (supported by Councillor M Gordon)

1 Purpose of the Report

- 1.1 To inform Cabinet of the detailed proposals for an External Wall Insulation (EWI) programme and related capital repairs of up to 323 non traditional Council owned houses. The project will attract Energy Company Obligation (ECO) funding to reduce the full cost of the scheme. The project would be the next step in addressing the long term problems with the Council's non traditional stock.

2. Report Details

- 2.1 In December 2014 a report was brought to Cabinet outlining a proposal for an external wall insulation (EWI) programme plus capital work for up to 1,000 non-traditional Council owned properties. The proposal outlined was to be delivered in conjunction with energy generators providing energy company obligation (ECO) funding over 2 financial years (2015/16 and 2016/17) as a measure to reduce long term problems with the Councils non traditional stock.
- 2.2 The approved recommendation was:

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

This report now presents the detailed proposals for a further phase of EWI schemes together with an assessment of the related capital works to be completed as part of the project.

3 Background Information

- 3.1 Rykneld Homes manage all the Council owned housing stock (approximately 8,000 properties). Within the stock approximately 3,400 homes 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 delivered solutions to approximately 11% (370 homes) of this stock through regeneration schemes such as the Trusteel and Tarran programmes.

- 3.2 Trusteel properties are built with a structural steel frame and brick walls. Given the nature of the structure there is a potential for the steel frame to rust weakening the structural integrity of the properties. Capital work has been undertaken on 213 Trusteel properties to remedy any structural defects and to protect the property from further deterioration through an external wall insulation and render scheme. This work was undertaken during 2013/14 and completed in early 2014/15.
- 3.3 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 are being demolished and replaced by 129 new modern built properties on the same sites. This scheme is expected to be completed by August 2015.
- 3.4 Nine prefabricated bungalows at Grassmoor have also been demolished and replaced with a total of 25 new homes.
- 3.5 An initial EWI scheme for 49 properties at Hucklow Avenue was delivered by Rykneld Homes during 2013/14.
- 3.6 Current initiatives have dealt with 370 non traditional properties over the last two/three financial years providing better properties for the tenants concerned. These actions address the issues arising from non traditional construction extending the life expectancy of the asset owned by the Council.

4 The EWI proposal

- 4.1 Officers have been exploring options for dealing with some of the other non traditional type properties in order to continue the long term plan to improve the homes concerned. One of the main issues with non traditional properties is that they are subject to problems arising from damp and cold. The joints between concrete panels suffer from cold bridging at the joint locations and associated damp where the joint material is failing due to its age. These properties are 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 the traditional cavity wall fill/insulation. These homes are therefore more difficult and expensive for tenants to heat and are prone to associated problems such as condensation, damp and mould.
- 4.2 The recommended solution for some of these 1,400 properties (which includes "Reemas" and "No Fines" build types) is that external wall insulation is fitted to improve the thermal performance of the homes as well as ensuring the external envelope is made weather tight. EWI basically involves installing an external "skin" of rigid board insulation and external render system around the property to seal up the panels to prevent damp and cold issues arising. In many of these properties the EWI works need to be supplemented by further key capital works. Some of these properties have roofs and chimneys that are over 60 years old and others have

inadequate windows 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 both). Experience also shows that in these types of schemes there would be costs incurred with relocation, etc of gas, electric, TV, phone, gates, sheds and drainage.

- 4.3 A programme of work to undertake EWI and the secondary capital improvements does not require the tenant to be decanted although it needs to be recognised that some disruption to the tenant is inevitable. In order to minimise any issues a full tenant communication and liaison plan will need to be developed and delivered alongside the work programmes.
- 4.4 The benefits of undertaking the EWI and additional capital works mean that the asset structure is fully refurbished which will extend the asset life in excess of 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 refurbished properties. Ongoing maintenance costs arising from roof repairs and damp issues will also be prevented.
- 4.5 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. That position has, however, now changed and some of the energy companies have indicated that they may fund a new EWI scheme, albeit at reduced levels from what was previously available.
- 4.6 A proposed programme of EWI works would secure a significant reduction to the carbon footprint. This links into Governments plans, the Council's priorities and the energy company carbon reduction targets. Initial work has confirmed that this scheme meets all the criteria the energy companies have established to provide Energy Company Obligation "ECO" grant funding. The grant funding is based on the projected reduction in carbon emissions
- 4.7 This proposed improvement programme represents an opportunity both to revitalise the look and feel of the estates where these properties are located, making a significant impact on the neighbourhoods, while improving the quality of tenants homes. Such investments in improving the conditions of housing will have a direct impact on health and the wider community and economy. The following provides a summary of the key features of the 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 useful life for a period in excess of 30 years. The Council will receive warranties covering the work for a 30 year period.
 - The improvements will significantly improve the living conditions of tenants.

- It will contribute to NEDDC / Rykneld Homes 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 impact of welfare reform which are strategic local objectives.
- Agreement to the EWI programme will also provide an opportunity to address the maintenance problems of these buildings (leaking roofs, internal damp and condensation, draughty windows, cracked and spalling concrete) which will be reduced accordingly.
- The programme will be used to increase residents involvement in the management of their housing which should be sustained beyond the lifetime of the project.

5 Determination of project size

- 5.1 The initial proposal was for up to 1,000 properties to be delivered within a two year period. Officers have reconsidered the size of the project based on the experience gained in delivering other major projects over the last three financial years (Trusteel, Tarrans, EWI – Hucklow Avenue, Keats Way, and Stonelow Green) and have determined that a smaller project would be:
- Achievable with existing project management resources.
 - Deliverable within a reasonable time period (within one financial year).
 - Affordable to the Council's Housing Revenue Account.
 - Enable other capital works to be completed in conjunction with the EWI works.
 - Dovetail with the main capital housing revenue account programme.
 - Enable other regeneration projects to be developed and considered to further resolve the Council's non traditional housing issues.
- 5.2 The outcome of these deliberations was to conclude that a project to tackle in the order of 300 properties was the most appropriate way to address the issue of non traditional properties.

6 Identification of properties

- 6.1 Having determined a deliverable project size Officers reviewed the original property list identified in the first EWI scheme that ceased in 2013 due to ECO funding being withdrawn. This list consisted of a prioritised list of properties that would most benefit from the EWI works. This list has been reviewed, updated and supplemented to take the total number planned under this phase of the work to 323 properties. The table below provides a breakdown per Ward of where these properties are located within the District. It is possible that changes to this list will occur as the project is developed so the table can only provide an indication to the Council at the present time.

- 6.2 On the basis of the work that has been undertaken officers have identified the following properties to be addressed under this phase of the work. Given that there remain another 1,000 units located across the District that could be delivered if funding were available officers will continue with work to enable the programme of works concerned to be delivered to all properties which would benefit.

Table 1

Ward Area	Approx No.
North Wingfield	148
Pilsley	76
Tupton	64
Dronfield (Snapehill)	14
Grassmoor	21
Total	323

7 Identification of potential suitable suppliers and likely costs

- 7.1 Given the requirement to undertake this work as a matter of high priority whilst funding is available Officers have investigated both existing procurement framework agreements for suppliers of EWI schemes which qualify for the Government ECO funding as well as approaching the energy companies directly. This work has consisted of outline market testing of both a framework contractor delivered option and an energy company funded option in order for Officers to satisfy themselves that the levels of funding and contract delivery models will facilitate the key objectives of the proposed programme. The work has also provided robust details concerning available funding and scheme costs to be developed.
- 7.2 While officers are comfortable that the preliminary work undertaken to date has secured sufficiently robust details to enable Cabinet to make an informed decision about whether to proceed with the project, on the basis that the project is approved Officers will need to undertake an appropriate procurement process. The procurement evaluation will need to consider details of the improvement in thermal performance that will be secured, cost of the work and the level of ECO funding that can be secured on the basis of the projected carbon reductions. In order to support the evaluation process Rykneld Homes will make use of a specialist EWI consultant to independently validate each of the submissions to ensure that both the quality between the bids is comparable, and that the costs are reasonable in order to provide additional assurance that the submissions represent good value for money.
- 7.3 As already outlined it would not be effective to undertake the EWI scheme in isolation on those properties which also require other major structural work. Officers have undertaken an outline survey of all the properties concerned and their

assessment indicates that windows, roofs and soffits and fascias are required as follows:

Table 2

Capital Element	Outline assessment	Contingency	Total
Window replacement	117	13	130
Replacement roofs, chimney drop and soffits, fascias and rain water systems.	196	19	215
Soffits, fascias and rain water systems only	127	-19	108

- 7.4 Chimney drop work involves the removal of the main part of the chimney where the property no longer needs a chimney (gas fire and central heating). This removes the costs of any future maintenance of chimneys. Soffits, fascias and rainwater systems will be provided on all properties to minimise future repairs and maintenance costs whilst making additional use of the scaffolding being in place to undertake the insulation works.
- 7.5 Initially it was envisaged that the capital elements to be replaced would be included in the main EWI contract. After further consideration officers at Rykneld Homes who are experienced in delivering these capital elements (including liaison with tenants) came to the view that it would be more appropriate if this project is managed internally. It is therefore planned to separate the capital elements of the project from the EWI contract and undertake a separate procurement exercise for the work detailed in table 3 (below). This will require appropriate planning and communication between the selected contractors and the EWI provider as all the capital works will be required to be undertaken prior to the EWI works commencing. The benefit of this planned approach is that the costs of these capital elements have been tested recently by Rykneld Homes and firm estimates can be established prior to the commencement of the project. Another benefit is that the project will be broken down into more manageable tranches with clear lines of responsibility for each tranche. The disadvantage of this approach is that up to three sets of contractors will be working on some of the properties, albeit not at the same time resulting in tenant liaison work requiring additional input.

8 Timescales

- 8.1 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. Based upon the smaller project now proposed the works should be completed within one financial year. Comprehensive tenant liaison would be the first stage of this project and should Cabinet/Council approval be given then this will commence at the earliest opportunity.
- 8.2 As already indicated, the capital works would be scheduled to commence during April 2015 with the EWI programme scheduled to commence in late May/ early June. Market testing has indicated that potential contractors would be able to meet this requirement.

9. Estimated Scheme Costs

- 9.1 The cost of the EWI installation and Capital works outlined in the table given below are estimated and will be subject to confirmation through a tender process.
- 9.2 The cost of the Rykneld Project Management Fee is based on the gross value of the schemes at an approximate level of 10% which is in line with other regeneration projects managed by Rykneld Homes (e.g. Tarrans at Eckington and Killamarsh, Keats Way).
- 9.3 The outlined scheme is therefore planned to cost an estimated £4.3m after EWI funding to deliver a solution to 323 non traditional properties. The calculated average cost per property is £13,315, including the capital elements identified in table 3. The costs may vary as more detailed survey data is received on the capital condition of each property and the outcome from the procurement process. On the basis that the scheme is approved this will increase the percentage of non-traditional houses that have completed solutions to 693 (20%).

Financing of the scheme

- 9.4 Officers have considered two main options for funding the scheme these being the use of prudential borrowing to part fund the costs, or meeting the costs entirely from HRA reserves. The appropriate way forward in this instance would appear to be to utilise existing HRA financial reserves in order to fund the scheme. The proposed funding arrangements are as follows:

Table 3

OUTLINE COSTS AND FUNDING OF PROPOSALS	£'000s
Cost of External Wall Insulation	3,418
Replacement Windows	325
Roof, Chimney Soffits, Fascias and rain water systems.	974
Soffits, Fascias and rain water systems.	151
Project Management Fees (Rykneld Homes)	450
Total Estimated Expenditure	5,318
EWI Funding	(1,020)
Development Reserve	(2,248)
Major Repairs Allowance	(2,050)
Total Funding Proposed	(5,318)

- 9.5 While the scheme is fully funded from Reserves it needs to be noted that it effectively leaves the HRA with a limited level of available capital reserves (£0.4m uncommitted). Officers will work to reinstate the level of reserves at the earliest opportunity. It should be noted that if a significant requirement for new expenditure were identified during 2015/16, or if an overspend occurred on the Programme then it may be necessary to rely on either the use of HRA revenue balances, or on prudential borrowing in order to fund such costs.

- 9.6 As well as the position identified above relating to the MRA it should also be noted that the use of the development reserve removes the opportunity to fund other regeneration projects that are being developed to further address the non traditional stock issues. Although the scheme proposed in this report will address another approx 10% of the non trad stock there remains the need for substantial funding to deliver further regeneration projects of a similar nature to those already successfully completed or in progress. In order to progress later phases of the work consideration will need to be given to undertaken Prudential Borrowing if future schemes are to be progressed in a timely fashion.

10 Conclusions and Reasons for Recommendation

- 10.1 The EWI programme would keep the identified properties in good condition and prolong their use beyond at least 30 years while reduce future maintenance problems of these buildings. The proposals deliver a long term solution to part of the current non traditional housing stock significantly improving the housing conditions of the tenants involved.

11 Consultation and Equality Impact

- 11.1 Detailed consultation will 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 and Tarran schemes. 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.
- 11.2 Owner occupiers of ex Council homes within the proposed estates will be able to engage with the proposed works. The ECO funding providers have experience of including private owners within a larger housing provider led scheme and can provide funding options to owners via the Governments "Green deal" programme. The District Council would benefit from private owner up take by further reducing carbon emissions and by the reduced visual impact within estates of "pepper potted" Council owned homes receiving the works and privately owned homes remaining as originally constructed.
- 11.3 All responsibility for any works to owner occupied homes would be the sole responsibility of the energy company. Rykneld Homes and the Council would provide sign posting and advice about funding options at open public meetings as we have previously undertaken, but would not be engaged in direct delivery of this element of work.
- 11.4 To assist with effective communication, we would require the company selected to agree to 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.

12. Alternative Options and Reasons for Rejection

- 12.1 An option would be not to carry out any over-cladding or insulation, therefore not incurring this capital expenditure. However, this option would not address 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.

- 12.2 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 from the initial evaluation is that current levels are likely to be between 11% and 30%. However it is extremely difficult to predict how funding via ECO may change in the future and it may reduce as well as increase.
- 12.3 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.
- 12.4 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.

13. Implications

Finance and Risk Implications

- 13.1 These are covered throughout the report.
- 13.2 The capital provision for this project is contained in the MTFP elsewhere on this agenda, and subject to agreement to the MTFP will constitute a scheme within the Approved Capital Programme.
- 13.3 The risks associated with this project are summarised below. Officers will maintain a detailed operational risk register throughout the project:

Risk	Mitigation
Works are being undertaken on the Council property whilst the tenant is still in residence. Risk of injury to tenants.	Close management of the works contracts drawing on the Rykneld Homes experience in this field
Financial loss due to the contractor going into liquidation.	The whole project will not all be allocated to one contractor. Financial checks will be undertaken for the preferred contractors prior to contracts being signed.
ECO funding being withdrawn	The project would cease or alternative funding to continue the works would be secured
Poor quality work resulting in defects	Strong contract management procedures would be established
Poor contractor performance	Strong contract management procedures would be established
Planning permission not granted (where required).	Experience from the Trusteel and Hucklow Ave projects indicate that close

	working with the planning section will mitigate this risk
Conflict with other work programmes and their appointed contractors	The draft capital programme for 15/16 only includes one element of similar works (roofing) which is not significantly different from the 14/15 programme where a number of different roofing contractors have been engaged to reduce exposure.
Not undertaking the works	Further deterioration in the external fabric of the stock requiring additional repairs expenditure

Legal Implications including Data Protection

- 13.4. The contracts for this project will be between Rykneld Homes Limited acting as agents for the Council and the successful contractors. Legal support would be required to ensure all contract conditions are reviewed to protect Rykneld Homes and the Council. This work will be undertaken in conjunction with the Council's legal team.
- 13.5 Officers will work to ensure that the tendering process complies with relevant legislative and good practice whilst securing best value for the Council.

Human Resources Implications

- 13.6 There are no additional HR implications arising out of this report

14 Recommendations

That Cabinet:

- 14.1 Endorses the proposals in respect of the External Wall Insulation contract as set out within this report and acknowledge their inclusion within the Capital Programme to be considered and approved by Council as part of the process of approval of the Medium Term Financial Plan.
- 14.2 Grants delegated authority to the Executive Director of Transformation (NEDDC housing client Director) following consultation with the Rykneld Homes Limited Director of Property Services and Development and the Portfolio Members for Housing Strategy and Social Inclusion to agree both the final details of the scheme and the awarding of the External Wall Insulation work contract (including the ECO funding element) to the preferred contractor following the procurement process.
- 14.3 Approve that Rykneld Homes Limited manage the additional proposed capital improvement works (as set out in table 2) of this report using its established procedures to procure the required works in the same way it delivers the Council's annual Housing Revenue Account [HRA] Capital Programme.
- 14.4 Receives a bi-monthly progress report following the award of the External Wall Insulation contract.

14. **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

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	
Report Author	Contact Number
Niall Clark – Director of Property Services and Development – Rykneld Homes	01246 217399