

17TH AUGUST 2017

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING**FIRE SAFETY WORKS - INSTALLATION OF FIRE SPRINKLER SYSTEMS TO LEASEHOLD FLATS AND FLATS AT ERINGDEN , PERIODIC ELECTRICAL INSPECTION CHECKS****EXEMPT INFORMATION**NON CONFIDENTIAL/~~CONFIDENTIAL~~**PURPOSE**

This report:-

- Seeks approval for the waiving of standing orders to allow fire sprinklers to be installed in Leasehold flats within the High Rise Blocks and Flats at Eringden at no cost to the Leaseholder.
- Seeks approval to extend the installation of fire sprinklers to the flats located at Eringden.
- Sets out proposals for the execution and funding of routine planned fixed electrical installation checks.
- Sets out budget virements to be used to fund the installation of fire sprinklers.

RECOMMENDATIONS

- It is recommended that Cabinet approve the waiving of financial standing orders allowing for the installation of sprinklers in Leasehold flats at no cost to the Leaseholder.
- It is recommended that Cabinet approve an extension to the fire sprinkler installation programme to include the flats at Eringden as detailed in option 3 (Sprinklers) and elsewhere within the report.
- It is recommended that Cabinet approve option two (Electrical Routine Testing PIR) and budgets to allow routine checks to be completed on electrical installations and consider including an additional £306kpa during the medium term financial budget setting process to fund a cyclical 5-yearly programme.
- It is recommended that Cabinet approve the identified budget virements to allow the sprinkler installation programme to be fully funded – a budget increase of £1,301,240 vired from savings of £918,840 from CR4014 High Rise Lifts and £442,030 from CR5016 General High Rise Works.
- It is recommended that Cabinet approve the inviting of competitive tenders through the in-tend system and delegate authority to enter into contract to the Corporate Director (Growth, Assets & Environment) in conjunction with the Portfolio Holder (Housing) upon completion of the tender process.
- It is recommended that Cabinet approve an annual increase in the Housing

EXECUTIVE SUMMARY

Following the tragic events at Grenfell Tower in London on 14th June 2017, the Portfolio Holder for Housing and Cabinet members have requested that officers bring forward a report to waive charges for leaseholders in order to remove any financial barrier to retrofit sprinklers.

The Head of Landlord Service intends to bring forward further proposals to Cabinet in October 2017 detailing a fire safety strategy for Council Stock. This will be informed by Scrutiny who have timetabled this for research and review on the 8th August 2017. This report is therefore designed to set out the details with regard to sprinklers and the associated financing arising from identifying additional work to fund electric periodic testing.

Sprinklers

In 2014 Cabinet, in response to the Coroner's report following a fire at Lakanal in London approved the installation of fire sprinklers to the 6 high-rise blocks in the town centre. The project was delayed whilst structural surveys were completed at the blocks, once these surveys were completed and had identified that there were no significant issues the project was resurrected and a project manager appointed to assist with the procurement and project management process. We are currently working with the project manager and Staffs Fire & Rescue [SFARS] to develop the specification and complete the tender process.

At the time of the original Cabinet approval it was identified that there was no provision within the Leaseholder leases for the Council to recover costs associated with works of an improvement nature, such as sprinkler installation, as such it was agreed that Leaseholders would not be required to have sprinklers installed, but could, if they wished opt into the programme provided they were willing to pay for the installation to their flats. In light of recent events with the major fire incident at Grenfell in London it is felt that in order to best protect the whole block for all residents it is prudent to attempt to install sprinklers in all flats, including those of Leaseholders. Knowing that there is no provision within the lease to recover costs from Leaseholders it would require the Council to waive financial standing orders if we are to waive charges to Leaseholders. There are currently 50 Leaseholders across the 7 blocks (6 high-rise and Eringden), at an estimated average installation cost of £5,100 per flat this would equate to a total cost of £255,000 being unrecovered.

Given Cabinets ambition to waive costs to leaseholders, officers believe that in the context of the national tragedy this can be supported on the basis that investment in sprinklers supports the wider asset management strategy and is a legitimate part of providing the highest level of protection and would not be considered reasonable to argue its outside of the HRA ring-fence.

Extension of Project to Include Eringden

The original sprinkler installation project approved by Cabinet extended only to the

six high-rise blocks as high-rise was the key focus of the Lakanal Coroner's report. Following discussions with SFARS and in view of risk assessments undertaken by the Councils third party contractor – Grahams Environmental Services - officers have identified that the medium-rise block at Eringden also would benefit from the installation of sprinklers. There are 48 flats at Eringden (2 of which are leasehold) so the estimated cost of installing sprinklers is £244,800.

Fixed Electrical Installation Checks

In reviewing and completing further Fire Risk Assessments [FRA] it has been identified that fixed electrical installation checks across the entire housing stock are becoming due. The Institute of Electrical Engineers [IEE] and the trade bodies associated with the electrical installation industry recommend that a full inspection is completed on domestic electrical installations every five years, these inspections are known as Periodic Inspection Reports [PIR]. Over the years approximately 5%-10% of the stock is checked either as a result of being void, tenants mutually exchanging &/or in the course of having other works completed, there are however properties that will not have been inspected through this process and such need to be checked on a programmed basis. This work will need to be funded through the Housing Revenue Account as revenue works. The intention will be to set up a five year programme to capture all properties that have not been inspected through void/planned repairs and investment works – to be considered during the budget and medium term planning process for 2018/19.

SFARS having checked the FRA and are satisfied that they are compliant with regulations. They have pointed out that electric faults are often the main cause of a fire and therefore recommend periodic testing. In light of Grenfell it is inevitable guidance and regulation will be reviewed, it is therefore prudent to build electric periodic testing into cyclical programmes – effectively meaning every domestic property has electric testing every 5 years. Electrical testing on communal areas will remain as per the FRA process.

It should be noted that recent tabloid & press coverage is suggesting Registered Providers and Local Authorities seek to extend this to cover PAT (Portable appliance testing) testing of domestic appliances. Officers recommend that until the DCLG provide clarity around the financing and extent of this (via legislation &/or regulation) then the electrical testing will cover fixed installation and not appliances. Evidence suggests 1 in 5 fires occurs as a result of an electrical fault and therefore it is prudent to undertake the test; but recognising that it won't extend to the appliance beyond obvious education and support where easily identifiable within the property.

To finance a 5 year electrical testing programme, it is estimated this will cost £1.53m or £306k per annum (4,376 properties x £350pp) Periodic electrical testing attracts a standard schedule of rate cost and that is predictable - £150 per property. However it is impossible to predict the level of category 1,2 &3 hazards that will be required as a result of this test. For example, Category 1 hazards require immediate repair (typically broken fittings for example); category 2 are recommended (such as electrical upgrade) and category 3 are advisory. It is estimated that the majority of domestic council properties have not been electrically tested since those tenancies commenced and therefore the financing for the programme is based on general property costs of around £350pp (comprising the £150pp standard electrical check and up to £200pp for remedial works). To ensure all properties are checked every five years this would involve around 875 properties per year requiring an annual

budget of £306k. If this significantly increases as a result of works identified as part of the testing (over and above the £350pp estimated) then the impact and detail will be shared with the Portfolio Holder of Housing to detail budgetary and policy considerations.

Budgets

The initial budget estimate for the installation of sprinklers in the six high-rise blocks was based on the cost estimates produced by the British Automated Fire Sprinkler Association [BAFSA], having worked through a number of projects they have now increased their costs estimates, much of this is related to the standard of finishing required as opposed to the basic sprinkler costs. It should also be recognised that costs are likely to increase as a result of increased demand for sprinkler installations following the Grenfell fire. With this in mind the original budget estimates are no longer felt to be sufficient to complete the project as such there is a need to vire money from other elements of the capital programme.

It is estimated that the total cost of works to complete the sprinkler installations at the six high-rise blocks along with Eringden will be £2,019,600 this is an increase of £1,301,240 on the originally approved budget, of which £255,000 relates to Leasehold flats, £234,600 relates to the addition of Eringden flats [non-leasehold], the remainder relates to an increase in the estimated cost of installation based on updated information from the British Automated Fire Sprinkler Association [BAFSA]. There are existing funds elsewhere in the HRA Capital programme following the completion of recent tender exercises; where tender costs submitted were less than anticipated, these are £918,840 from CR4014 (High Rise Lifts) and £442,030 CR5016 (General High Rise Works) this equates to £1,360,870 which is sufficient to cover the estimated additional costs of the sprinkler installations.

It is anticipated that the cost of completing the electrical PIR will be £1.53m this can not be met from existing budgets and is unplanned expenditure and therefore £306k pa needs to be considered during the medium term budget setting process to allow for an initial 5 year programme of inspections to be completed; these inspections will then need to be completed on a rolling programme.

There will be a need to maintain, service and test the newly installed sprinklers on an annual basis. The estimated cost of this is £500 per annum/per system (£3500), this will need to be met from the HRA repairs budget.

Project Programme

Work has already commenced on the design and procurement of the sprinkler installations at the six high-rise blocks. It should however be recognised that in light of recent events at Grenfell there is likely to be a very high demand for sprinklers and that many of the BAFSA approved installers may have full order books and long lead-in times for new contracts. Whilst every effort will be made to expedite the programme with a view to commencing works before the end of the current calendar year we have to understand that this may not be achievable.

RESOURCE IMPLICATIONS

- The original approved budget for the installation of sprinklers at the six high-rise blocks was £718,360.

- The revised estimated cost for the six high-rise blocks along with Eringden based on new information obtained from BAFSA is £2,019,600 an increase of £1,301,240.
- Savings of £918,840 from CR4014 High Rise Lifts and £442,030 from CR5016 General High Rise Works are sufficient to offset the additional costs and should be vired into the sprinkler budget.
- The costs attributable to Leaseholders are £255,000, these are included in the above figures. These are the costs that would need to be waived.
- PIR costs represent unplanned expenditure and costs can not be met within existing budgets. It is estimated that the programme costs will be £1.53m over 5 years and therefore it is recommended that an additional £306k is considered to be included during the medium term budget setting process. Sufficient budget will need to be allocated on a longer term basis and built into the routine budget setting process to allow for inspections to be completed on a rolling programme every 5 years.
- The newly installed sprinkler systems will require annual service, maintenance and testing. The estimated cost of this is £500 per annum/per system (£3500), this will need to be met from the HRA repairs budgets. Sufficient budget will need to be allocated on a longer term basis and built into the routine budget setting process to allow for service, maintenance and testing to be completed on a rolling programme every year.
- Officers will seek to recover costs for the annual maintenance from leaseholders as part of the wider service charge cost recovery in accordance with legislation and leasehold contractual terms

LEGAL/RISK IMPLICATIONS BACKGROUND

There is a detailed risk assessment for the project and headline risks have been captured below, for Cabinets attention:-

Risk	Mitigation
There is currently no legislation that requires the retrospective installation of sprinklers. All work will be done in accordance with the current British Standards, however it should be recognised that any future changes to legislation may require us to alter or upgrade any sprinklers we install at this time and that this will incur additional costs.	SFARS have agreed to support the specification and development of the sprinkler project this will include ensuring latest advice and guidance is followed.
Following the recent events at Grenfell it is likely that approved BASFA sprinkler installers will be in high demand. The cost estimates included in the report have, so far as possible reflected this increased demand. It should however be noted that this increased demand may have an adverse effect on the	There will be a detailed communications plan to support tenant & leaseholders with information and consultation.

timing of this project, it is anticipated that many installers will have full order books and long lead-in periods.	
Whilst we know that we cannot charge Leaseholders for these works there remains some doubt about our ability to 'force' these works on Leaseholders in the absence of any legislative requirements for sprinklers.	We will continue to work with Leaseholders to encourage them to accept installation, in parallel we will work with our legal team to fully understand the legal measures we can take.
Meeting costs of sprinklers for leaseholders will have to be met from the HRA. There is the potential for this to be challenged with regard to the HRA ring-fence and if successfully argued as a breach would invite sanction from the HCA.	This is mitigated by a range of factors and represents a low risk. Investment in the asset infrastructure, which sprinklers represent, is a legitimate HRA cost and given the national context landlords are not likely to be criticised or sanctioned for taking reasonable and proportionate steps to improve and enhance fire safety.
Whilst electrical PIR checks are considered to be good practice within the industry they are not specifically a legal requirement. It should however be recognised that in the event of an incident investigators are likely to want to check our inspection reports and will consider the effects of failure to undertake routine inspections in line with good practice	Options have been detailed in the report and Cabinet can decide not to undertake routine electrical testing

SUSTAINABILITY IMPLICATIONS

There will be an ongoing revenue cost associated with the service and maintenance of the newly installed sprinklers and PIR; this will be met from the HRA repairs budgets for tenants only, Leaseholders will be recharged service and maintenance costs

OPTIONS

SPRINKLERS

Option	Benefits	Risks
1. Do not fit Sprinklers	Other than the initial capital cost savings there are no clear benefits to not installing sprinklers.	As there is no requirement to install sprinklers and on the basis that our buildings are compliant with current

	<p>There are no statutory obligations to install sprinklers in any of our existing buildings.</p>	<p>fire regulations and have up to date Fire Risk Assessments in place the overall risk is considered to be generally low.</p> <p>Installing sprinklers protects the asset and more importantly protects the residents in the event of a fire.</p>
<p>2. Fit Sprinklers High Rise only</p>	<p>Installing Sprinklers to the High-Rise blocks only addresses the generally recognised 'high risk' properties.</p> <p>There are no statutory obligations to install sprinklers in any of our existing buildings.</p>	<p>As there is no requirement to install sprinklers and on the basis that our buildings are compliant with current fire regulations and have up to date Fire Risk Assessments in place the overall risk is considered to be generally low.</p> <p>Despite the above Eringden is locally know to be a 'high risk' building</p> <p>Installing sprinklers protects the asset and more importantly protects the residents in the event of a fire.</p>
<p>3. Fit Sprinklers as detailed in the report (Highrise and Eringden)</p>	<p>Installing Sprinklers to the High-Rise blocks addresses the generally recognised 'high risk' buildings. Installing Sprinklers at Eringden addresses a building known locally to be a 'high risk'.</p>	<p>There is currently no legislation that requires the retrospective installation of sprinklers. All work will be done in accordance with the current British Standards, however it should be recognised that any future changes to legislation may require us to alter or upgrade any sprinklers we install at this time and that this will incur additional costs.</p>

Officers recommend option 3 as sprinkler installation was originally approved in January and April 2014 and there is sufficient budget to extend this to Eringden.

ROUTINE ELECTRICAL TESTING (PIR)

Option	Benefits	Risks
1. Do not undertake routine electrical testing	<p>It would save £1.53m over 5 years as it is not a legal mandatory requirement at the moment.</p> <p>Benchmarking data shows some LAs have taken a decision to not undertake as they are unable to budget for resulting and remedial works</p>	Should the cause of a fire be the result of an electrical fault the Council will be criticised for not undertaking these tests, especially in view of SFARS recommendation to undertake
2. Commence a 5-year programme for electrical testing.	<p>Introduction of a 5-year programme demonstrates further evidence of a robust approach to fire safety.</p> <p>Should legislation change requiring this, arrangements will already be in place along with necessary funding considerations</p>	Testing could lead to major electrical repair works and the council having to review capital and funding priorities

Officers recommend option 2 for the reasons detailed elsewhere in the report.

REPORT AUTHOR

Paul Weston, Head of Asset Management
Tina Mustafa, Head of Landlord Services

LIST OF BACKGROUND PAPERS

None

APPENDICES

None