

For publication

Housing Capital Programme: New Programme for 2018/19 through to 2022/23 (HC010R)

Meeting:	Council
Date:	22 February 2018
Cabinet portfolio:	Cabinet Member for Homes and Customers
Report by:	Assistant Director - Housing Director of Finance & Resources

For publication

1.0 Purpose of report

- 1.1 To seek approval for the public sector housing 'Capital' programme for 2018/19 and provisionally for 2019/20 to 2022/23.
- 1.2 This report is due to be considered by the Cabinet at its meeting on 20 February, 2018 where it is recommended that the report and its recommendations be supported and referred to Council for approval.

2.0 Recommendations

- 2.1 That the Housing (Public Sector) Capital Programme for 2018/19 is approved and its procurement, as necessary, be authorised.
- 2.2 That the Housing (Public Sector) Capital Programmes for 2019/20 to 2022/23 are provisionally approved.
- 2.3 That the Commercial Services share of the Programme be approved.

2.4 That the Assistant Director - Housing be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

3.0 **Financing the 2018/19 Programme and Beyond**

3.1 The overall financial strategy continues to focus on the maintenance of the Decent Homes Standard, improving the non-traditional housing stock, delivering improvements to the estate environment and increasing the development programme of new council housing in the immediate short term.

3.2 Cabinet has been asked to approve revenue support for the 2018/19 Housing Capital Programme to the sum of £5,303,110. The 2018/19 Programme also includes £4,833,000 of carry forward from 2017/18 relating to schemes where work started later than anticipated e.g. new build housing at Rufford Close, refurbishment of a sheltered housing scheme (Brocklehurst Court) and the estate improvements at Barrow Hill.

3.3 Whilst income from the sale of council homes under the Right to Buy is still low compared to receipts in the past, there has been a continued upturn in the rate of sales and this is likely to continue. 69 sales have been completed in 2017/18 at 1 January 2018, above the self-financing assumption of 21. The HRA Business Plan for the coming years assumes levels above the self-financing assumptions of 70 in 2018/19, 60 in 2019/20 and 25 thereafter for the next 5 years. Additional receipts from Right to Buys exceeding those figures in the self-financing assumptions can be retained in Chesterfield for the provision of new affordable housing, this money must be spent within three years and will require a funding contribution of 70% from HRA resources. The receipts accumulated to date have been largely spent on the delivery of the Parkside Older Persons Housing Scheme and in year strategic property acquisitions.

3.4 As shown in the HRA Business Plan, which was reported to Cabinet on the 19 December 2017, the HRA will have sufficient funding available to meet this 70% funding contribution in the future, on the assumption that all of the mitigating actions that have been built into the Business Plan, to improve the financial

viability, are realised. If these retained receipts are not used within 3 years then they must be returned to DCLG together with 4.5% interest. Therefore in order to ensure that the receipts are retained in Chesterfield and used for the provision of new affordable housing, the following actions will be undertaken;

- Increase the size of the new build housing scheme programme within the Housing Capital Programme, both through direct delivery with Commercial Services and / or with a developer partner
- Work with other local Registered Providers in exchange for a proportion of the stock on site and nomination rights, as agreed by Cabinet on 1 November 2016
- Increase the strategic acquisitions programme within the Housing Capital Programme

3.5 The forecast total level of funding available for investment in the stock is therefore sufficient to maintain the stock at 100% Decency based on the 2017 stock condition survey in the next five financial years (2018/19 to 2022/23).

3.6 An analysis of resources currently available for the 2018/19 Capital Programme and in each of the following four years is attached at **Appendix 1**.

4.0 **The 2018/19 and Future Programmes**

4.1 The introduction of Self Financing in the HRA opened up the potential to borrow to finance investment in the stock up to and beyond the Decent Homes Standard.

4.2 The proposed 2018/19 programme and in each of the following four years continues to broadly reflect the capital programme used in the HRA Business Plan in previous years and addresses needs arising due to the ageing stock as identified in the Stock Condition Survey.

- 4.3 Currently 100% of the housing stock meets the Decent Homes Standard at the 1 January 2018 and we fully anticipate this will continue to be 100% at the 31 March 2018.
- 4.4 The focus of the programme remains on the modernisation of properties to maintain the Decent Homes Standard with the balance of activity over the next twelve months concentrating on building elements such as roofs, windows and improvements to external estate environments.
- 4.5 The 2017 Stock Condition Survey carried out by Savills, identified that the condition of the housing stock has improved since the last survey in 2014. The investment put into the stock has been directed into the right areas with significant investment being made in relation to typical decent homes works, such as kitchens, bathrooms, electrical installations, heating and external doors and as such less expenditure is required.
- 4.6 In addition to the stock condition survey and amendments to the base assumptions within the HRA Business Plan, to reflect changes in national economic and housing policy, the financial viability of the HRA has significantly improved, resulting in the healthier forecasts contained in the HRA Budget report included on this agenda. It is important to note that the budget projections assume that all the measures previously identified and agreed are successful. Therefore there is still the risk that the HRA balances maybe lower than forecast if any of the above actions are not as successful as hoped.
- 4.8 The Housing Capital Programme has been set in accordance with the profile set out in the new stock condition survey. By ensuring that work is planned and procured in accordance with this survey, (allowing for some 'smoothing' of individual programmes within no-more than a 5 year rolling period), the unit prices identified within the survey, should be achievable and not pose any substantial risk of increase in prices due to rising building cost inflation. This will also ensure that sufficient capacity within the workforce, both internal (Commercial Services) and external contractors, is available and maintained.

- 4.9 Many of the programmes for 2018/19 have already been procured in 2017/18 to ensure delivery on the ground does not slip due to any individual contracts ending and starting.
- 4.9.1 The **Central Heating Programme** will continue in order to remove the risk of large scale heating failures as a result of the age of boilers and the non-availability of the required parts.
- 4.9.2 The **roof replacement** programme will continue to be one of the largest areas of works to ensure that properties maintain the Decent Homes Standard. The roofing programme will also run in conjunction with chimneys, soffits and fascias and rainwater goods, to minimise the need to scaffold.
- 4.9.3 A programme is included for the **replacement of aging UPVC windows**; these replacements will in the first two years of the programme continue to precede the installation of **External Wall Insulation** to non-traditional and solid wall properties.
- 4.9.4 New programmes have been included for external work to blocks of flats, in conjunction with estate environmental improvements, garage site improvements and fences, gates, footpaths and drives for general needs properties. The programme of work to renew fences, gates and footpaths will mitigate against the change to the tenant repairing obligations, with tenants becoming responsible for this work in future.
- 4.9.5 Members previously approved a programme of environmental improvements at **Barrow Hill, London Boroughs Estate** and continued provision has been made for this work, commencing on site in April 2018.
- 4.9.6 Increased provision has been made for a **new build housing programme**, working with a developer partner to deliver up to 100 units over the 5 year period on larger sites and with provision being made for Commercial Services to directly deliver on smaller sites over the same 5 year period, commencing at Rufford Close, Boythorpe (4 units), Manor Drive, Brimington (4 units) and Court Place, Middlecroft (1 or 2 unit) in 2018/19.
- 4.9.7 The **Non Traditional (PRC) Housing stock** remains one of the key areas for modernisation and a programme of works has been

included, for works to commence on **the Unity** properties in 2018/19, following a solution having been identified where work can be completed with tenants in-situ.

- 4.9.8 The successful programme of **strategic housing acquisitions** has been increased to allow the purchase of properties which meet a strategic housing need, including former Right to Buys.

5.0. **Tenant Involvement and Consultation**

- 5.1 In July 2016 a Steering Group was established to consider the implications for the Housing Revenue Account (HRA) Business Plan following national housing policy changes, including the reduction in rents for 4 years until April 2020 and to make recommendations as to how these implications can be mitigated. The Steering Group comprises of cross party elected members, officers and tenants.
- 5.2 This Steering Group have continued to be involved in both the financial review of the HRA, the review of Repairs and Maintenance, the review of the Housing Tenancy Agreement and the changes to tenant repairing obligations.
- 5.3 The Steering Group and other tenants have played an integral part in reviewing and / prioritising the Capital Programme, including debating and agreeing the principles which support our investment programme and which were previously agreed by Council on 23 February 2017.

6.0 **Investment Principles**

- 6.1 The Borough has been divided into 13 Local Investment Programme Areas (LIP) based on the housing allocation areas. Work in these areas has then been prioritised across the five year programme depending on the level of investment needed according to the stock condition survey and the amount of recent expenditure on repairs and maintenance in those areas. The area with the highest level of need and expenditure will receive work in the first year, reducing to year 5. This programme of work can be seen in **Appendix 2**.

6.2 The work has been packaged into four distinct types, with routine decent homes internal work e.g. kitchens, bathrooms, heating, rewires continuing on a year by year basis depending on whether that work is required to ensure the property continues to meet the decent home standard. The other packages include;

- Externals – Works to the exterior of a property e.g. windows, doors, roofs, pointing and external wall insulation
- Blocks – Exterior work as described above to blocks and communal areas of flats
- Unity – The work to ensure the future structural stability of the council's 122 Unity dwellings
- Environmentals – Fencing, gates, footpaths

6.3 Work in more than one package in each year will be limited to try to ensure that all tenants benefit from some investment in their home or area in each of the 5 years. All of the work required to the properties in that area, in that package will be carried out in that one year. This will ensure efficiencies in terms of contractors on site and reduced disturbance for tenants.

7.0 **Commercial Services Share Of Programme**

7.1 **Appendix 1** also shows the portion of the Capital programme that it is proposed to allocate to Commercial Services. This is an increase on previous year's allocations both in terms of value and proportion of the programme and has been achieved in discussion with the Assistant Director - Commercial Services Manager to ensure continued operational effectiveness.

7.2 The five year programme, will allow Commercial Services to plan for future works and make changes to the workforce in terms of numbers of operatives, trades and whether they work on capital or responsive repairs programmes of work

7.3 This increased share and / cash value of the Housing Capital Investment Programme for Commercial Services from 2018/19 onwards will also contribute to the Commercial Services 5 year Growth Strategy and the re-deployment of existing staff from responsive repair work to capital, subject to value for money.

7.4 It is suggested that value for money can be tested in some or all of the following ways;

- Price matching with external contractors
- Applying an inflationary increase on previous contract prices when work is brought back in house
- Cost and quality benchmarking through APSE, other benchmarking groups and procurement frameworks
- Sharing work packages with external contractors
- Testing the market through tendering

8.0 **Supporting Local Contractors**

8.1 The sustained value of the Capital Programme also means that some of the work packages will be available to local contractors, subject to their winning the work in competition.

8.2 Housing Services continue to take a key role in the council's corporate arrangements for the procurement of contracts and their management. Where possible a clause is included in contracts to ensure a proportion of local labour.

9.0 **Financial Implications**

9.1 The recommended capital programme for the next 5 years is based on the most recent stock condition survey carried out in 2017. The stock condition survey has been fed into the HRA Business Plan to ensure that it is affordable.

9.2 In order to ensure that the Business Plan remains up to date and is based on an up to date understanding of the investment needs of the Housing Stock, a revised stock condition survey will continue to be carried out on a three yearly cycle, with the next survey becoming due in 2020. The costs associated with this survey will be met by the Housing Revenue Account.

10.0 **Risk management**

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
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Failure to maintain Decent Homes Standard targets / invest in stock in a timely manner	Low	Low	The programme has been set based on the most recent 2017 stock condition survey which was derived in order to ensure that the Decent Homes Standard is met. Resources will be targeted to areas at risk of Decent Homes Standard failure.	Low	Low
Worsening Tenant Satisfaction due to re – phased capital programme	Medium	Medium	Ensure that tenants and members are involved in any future reviews of services Publicise the 5 year programme of works to tenants so they can see when homes in their community will benefit from improvement work	Low	Low
Declining Stock Condition	Low	Low	A new stock condition survey will continue to be carried out on a 3 yearly basis to inform the HRA Business Plan and to ensure future investment needs are met. This will include a further detailed survey of the non-traditional housing stock in 2020	Low	Low
Managing slippage on programmes which may result in an underspend on the overall Capital Programme and work being carried forward into future years	High	High	A 5 year programme of works will allow sufficient time for growth in the workforce to have the capacity to undertake the programmes of work. The 5 year programme will also allow for sufficient planning time to undertake design work, prepare specifications and seek any permissions, undertake any consultations and necessary procurements prior to work starting as soon as possible in any financial years. Regular contract progress meetings with Commercial Services and external contracts to identify any slippage at the earliest	Medium	Low

			stage and to put in place mitigating actions to prevent any further slippage		
Health Impacts on occupants	Medium	Medium	Ensure Capital Investment continues in the non-traditional housing stock, which exhibit the most issues linked with poor health e.g. cold and damp conditions	Low	Low

11.0 **Equalities Impact Assessment (EIA)**

11.1 A full Equality Impact Assessment is attached at **Appendix 3**.

12.0 **Recommendations**

12.1 That the Housing (Public Sector) Capital Programme for 2018/19 is approved and its procurement, as necessary, be authorised.

12.2 That the Housing (Public Sector) Capital Programmes for 2019/20 to 2022/23 are provisionally approved.

12.3 That the Commercial Services share of the Programme be approved.

12.4 That the Assistant Director - Housing be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

13.0 **Reasons for recommendations**

13.1 The council will be able to maintain its 'Decent Homes Standard' targets in line with the Council's Vision and Corporate Plan.

13.2 The condition of the Public Sector housing stock and its environment will be maintained and improved.

13.3 To contribute to the aims of the Borough Housing Strategy and to deliver the HRA Business Plan.

Decision information

Key decision number	775
Wards affected	ALL
Links to Council Plan priorities	To improve the quality of life for local people and to deliver value for money services

Document information

Report author	Contact number/email
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Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix 1	4 year plan
Appendix 2	Investment Plan Timetable
Appendix 3	EIA