

## For publication

### Housing Capital Programme: New Programme for 2024/25 through to 2028/29 (HC000)

<b>Meeting:</b>	Council
<b>Date:</b>	28 February 2024
<b>Cabinet portfolio:</b>	Housing
<b>Directorate:</b>	Housing
<b>For publication</b>	

#### 1.0 Purpose of the report

- 1.1 To seek approval for the Housing Capital Programmes for 2023/24 and 2024/25 and to provide an indicative programme for 2025/26 to 2028/29.

#### 2.0 Recommendations

- 2.1 That the Housing revised Capital Programme for 2023/24 be approved.
- 2.2 That the Housing Capital Programme for 2024/25 be approved and its procurement, as necessary, be authorised.
- 2.3 That the Housing Capital Programme for 2025/26 to 2028/29 be provisionally approved.
- 2.4 That delegated authority is given to the Service Director – Housing, in consultation with the Cabinet Member for Housing and the Service Director – Finance, to vire between programmes and budgets as necessary, to manage and deliver the Capital Programme for 2024/25 as set out in the report.

#### 3.0 Reason for recommendations

- 3.1 The Council as a social landlord has a legal duty to ensure that all its properties are fully compliant and maintained to Decent Homes standards.

#### 4.0 Report details

This report was considered by Cabinet at its meeting on 27 February, 2024 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

## **Capital Programme – 2023/24**

- 4.1 The 2023/24 Programme has been revised to recognise changes during the year. The principal change is the delayed start of major new build schemes at Staveley and Middlecroft, due to the Covid pandemic and a main contractor going into liquidation. The delayed works have been incorporated into the revised 2023/24 and 2024/25 Programmes (please see Appendix 1).

## **Capital Programme – 2024/25 to 2028/29**

### **Investment in existing housing stock**

- 4.2 The 2022 Stock Condition Survey was carried out by Savills, identifying that the condition of the housing stock had improved since the previous survey in 2017. This demonstrates that the Council has directed expenditures from its previous Programmes into the right areas with significant investment being made in relation to typical decent homes works, such as kitchens, bathrooms, electrical installations, heating renewals and external doors and windows.
- 4.3 The proposed 2024/25 Programme has been designed to ensure stock achieves and maintains 100% decency. Currently, 99.7% of the housing stock meets the Decent Homes Standard (as of December 2023) and we fully anticipate this to reach 100% during 2024/25.
- 4.4 One of the main focusses of the programme remains the modernisation of properties to maintain the Decent Homes Standard, with the balance of activity over the next 12 months concentrating on building elements such as kitchens, heating renewals, roofs and windows, and further improvements to external estate environments.
- 4.5 The work programmes for 2024/25 until 2028/29 continue to be prioritised in line with the level of investment needed according to the 2022 stock condition survey, and the amount of recent expenditure on repairs and maintenance. The areas with the highest level of need and expenditure will receive work in the first year, reducing to year 5, with the work being 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 Homes Standard. The other packages include:
- Externals – Works to the exterior of a property for example windows, doors, roofs, pointing and external wall insulation
  - Blocks – Exterior work as described above to blocks and communal areas of flats
  - Environmental – Fencing, gates, footpaths

- 4.6 The fire risk improvement works to blocks (identified in the Compliance Review undertaken by Savills in December 2019) are progressing well and will continue to reflect the recommendations of the planned programme of Fire Risk Assessments to be undertaken on a 5 yearly cycle; and stratified in accordance with risk priority.
- 4.7 The Stock Condition Survey in 2022 identified that approximately 6% of the housing stock surveyed was experiencing issues with damp and mould, although a recent exercise showed that this has reduced by approximately half to 2.7%. This is due to recent focused activity and prioritisation of repairs to address damp and mould problems. Significant investment has been ringfenced in the Capital Programme to deal with these cases, which are expected to rise again due to fuel poverty and the cost-of-living crisis.
- 4.8 Investment in blocks will continue through the block refurbishment programme, with the next scheme to complete being Newland Dale (expected in February 2024) and Loundsley Green commencing in 2024/25.
- 4.9 The refurbishment of Aston Court, changing the use to general needs housing accommodation is due to complete in February 2024, and the construction of three new traditional build terraced properties will start on completion of the refurbishment project.
- 4.10 Based on the prior approval of the indicative Programmes for future years in 2023/24, some of the programmes of work for 2024/25 have already been procured, to ensure timely delivery.
- The Central Heating Programme, to remove the risk of large-scale heating failures as a result of the age of the boilers and non-availability of the required parts.
  - The kitchen and window replacement programmes, the largest areas of works to ensure that properties maintain the Decent Homes Standard.
  - The roofing programme, in conjunction with the renewal of chimneys, soffits, fascias and rainwater goods, to minimise the need to scaffold, although this will be a much-reduced programme due to the extensive roofing works undertaken over the past few years.
  - The replacement programme for aging UPVC windows and doors.
  - Programmes of external work to blocks of flats, in conjunction with estate environmental improvements, garage site improvements and the renewal of fences, gates, footpaths and drives for general needs properties. The indicative Blocks Refurbishment Programme is attached at Appendix 3.

- 4.11 The investment proposed in the Programme will make a significant contribution to improving the energy efficiency of the Council’s housing stock. In delivering programmes of work, for example the block refurbishment programmes, specific consideration will be given to energy efficiency and the components used in window replacements. Heating replacement systems will also be regularly reviewed to ensure improved SAP ratings (the calculation that is required in order to produce a Predicted Energy Assessment and an Energy Performance Certificate) and make positive reductions to tenants’ utility bills whilst also contributing to the Council’s decarbonisation targets.
- 4.12 A decarbonisation feasibility study has been undertaken for a pilot scheme at one of the sheltered schemes, Brocklehurst Court to work towards meeting the 2030 Council Climate Change target and a feasibility study is planned for 2024/25 to identify options available to enable Housing Services to meet the 2050 target.
- 4.13 The Programme has been developed in accordance with the funding profile set out in the stock condition survey. By ensuring that work is planned and procured in accordance with this survey, the unit prices identified within the survey should be achievable and not pose any substantial risk of increase due to rising building cost inflation.

### **Investment in new build**

- 4.14 The Council’s new build programme will continue with Middlecroft and Westwood Avenue due to complete in 2024/25. An additional new site at Mastin Moor has been identified and the designs submitted to planning. Development is planned to start in 2024/25. All existing and proposed new build schemes are tabulated below:

<b>Project Title</b>	<b>Proposed In-Year Start</b>	<b>Project Duration (Years)</b>	<b>Number of units</b>
Aston Court	2024	1	3
Barrow Hill	2025	2	25
Belmont Drive	2025	1	6
Mastin Moor (2 sites)	2024	2	17
Middlecroft Cluster	2022 (restart 2023)	2	10
Westwood Avenue	2024	1	9
New sites to be identified	2026-2028		24
<b>Total Units in Plan</b>			<b>94</b>

- 4.15 Business cases for the additional projects identified at Barrow Hill, Belmont Drive and any new sites will be submitted for approval at a later date.
- 4.16 All new housing projects are being designed and built to standards that exceed the minimum standards set out in Part L Conservation of Fuel and Power of the current building regulations, through installation of energy efficient boilers and increased levels of insulation in floors, walls, and ceilings. The developments will also include cycle stores, electric car charging points and rainwater recycling through collection points in gardens, to improve sustainability; and water usage will be calculated and features such as perforated taps and low flow baths introduced to reduce consumption.

### Investment in acquisitions

- 4.17 It is also proposed that the council's successful programme of strategic housing acquisitions continues, to allow the purchase of properties which meet housing need, thus increasing the Council's housing stock. Seven new units were acquired at Newhall Road in August 2023.
- 4.18 All future proposed acquisitions are tabulated below:

<b>Project Title</b>	<b>Proposed In-Year Start</b>	<b>Project Duration (Years)</b>	<b>Number of units</b>
Linacre	2026/2027	4	28
<b>Total units in Plan</b>			<b>28</b>

## 5.0 Alternative options

- 5.1 Various options have been considered in terms of the content and scale of the Programme, but in order to ensure the Council's housing stock remains in a decent condition, and to achieve the necessary balance between affordability and ambition, the Programme attached as Appendix 1 is recommended as the best option.

## 6.0 Implications for consideration – Financial and value for money

- 6.1 The table below shows the level of planned investment in the council's housing stock, over the 5-year Programme to 2028/29. This has been informed by the stock condition survey carried out in 2022 by Savills.

<b>Public Sector Housing Capital Programme</b>							
<b>Programme</b>	<b>Revised 2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Works to existing stock	17,678,810	18,341,430	15,426,371	15,057,534	15,222,248	15,246,872	<b>96,973,265</b>

Other programmed works & compliance	2,011,301	2,419,057	2,244,153	2,222,023	2,205,406	2,281,083	<b>13,383,023</b>
New build and acquisition	2,637,750	9,362,061	6,750,000	2,050,000	4,050,000	4,050,000	<b>28,899,811</b>
<b>Total</b>	<b>22,327,861</b>	<b>30,122,548</b>	<b>24,420,524</b>	<b>19,329,557</b>	<b>21,477,654</b>	<b>21,577,955</b>	<b>139,256,097</b>
<b>Financed by</b>							
Direct Revenue Financing	0	0	0	0	0	0	0
Borrowing	6,200,927	11,615,506	8,662,442	3,758,857	4,783,492	5,097,109	40,118,331
Capital Receipts	2,470,826	4,850,934	2,138,244	2,042,452	3,165,914	2,952,598	17,620,968
Major Repairs Reserve	13,656,108	13,656,108	13,619,838	13,528,248	13,528,248	13,528,248	81,516,798
<b>Total Financing</b>	<b>22,237,861</b>	<b>30,122,548</b>	<b>24,420,524</b>	<b>19,329,555</b>	<b>21,477,654</b>	<b>21,577,955</b>	<b>139,256,097</b>

6.2 The overall financial strategy continues to focus on the maintenance of the Decent Homes Standard, delivering improvements to estate environments, our climate change ambitions and increasing the development programme of new council housing.

6.3 The proposed financing arrangements are shown in the above table. The Programme will be financed from the Major Repairs Reserve, capital receipts and borrowing. Given the challenging financial position of the Housing Revenue Account (HRA) a direct revenue financing contribution towards the Programme is not currently feasible.

6.4 The Council is able to borrow to fund the Programme. Until October 2018 the amount of borrowing was limited to the HRA debt cap, which was a specific maximum amount of borrowing that a council was permitted. For Chesterfield, the notional debt cap is £155m. The debt cap was abolished by the government to allow councils to increase house building. However, although there is no longer a limit on borrowing, all programmes of work will need to comply with the principles of the Prudential Code. In simple terms, this means that all debt must be affordable and sustainable within the rental income of the HRA over the 30-year business plan. New build schemes will, therefore, need to be supported by a robust business plan. The balance of debt at the end of the 5-year Programme is estimated to be £159m, which is above the notional debt cap limit.

6.5 The Council is able to utilise receipts from the sale of council houses to support the Programme. The Council has sold 38 houses to date during 2023/24 (down from the 63 homes sold last year). Additional receipts from Right to Buys, exceeding those in the self-financing assumptions, can be retained in Chesterfield for the provision of new affordable housing. This money must be spent within five years and will require a funding contribution of 60% from HRA resources. The receipts accumulated to date have been spent on delivery of the new build council house programme and property acquisitions.

6.6 The HRA Business Plan has been refreshed based on the assumptions set out in this report and those contained within the HRA Medium Term Financial Plan. In developing the Business Plan, a number of assumptions have been made around future rent increases, inflation, and interest rates, as well as the levels of voids and right-to-buy. The Business Plan is sensitive to the assumptions made and small changes in any of these variables can, particularly over time, have a significant effect on the sustainability of the Plan.

6.7 Further work will need to be undertaken to review the Business Plan and to further review the assumptions, which may require amendments to both the capital and revenue budgets. The Business Plan will be kept under review as part of ongoing revenue and capital budget monitoring processes.

6.8 The Council is required to demonstrate value for money for all areas of expenditure including for the Housing Capital Programme. The ways in which value for money will be demonstrated include:

- Commissioning work packages from external contractors if they provide overall Value for Money (VFM) to the Council
- Market testing work when and where appropriate through corporately agreed procurement arrangements.

6.9 A value for money exercise was undertaken on the 2023/24 Capital Programme to compare external contractors and internal services, to test commercial competitiveness and ensure the unit values are appropriate. It is recommended that this exercise be repeated in 2024/25 and expanded to include the revenue funded repairs and maintenance work programme.

## **7.0 Implications for consideration – Legal**

7.1 The Council's failure to maintain its homes and comply with legislation could result in risks to tenants' safety and adverse legal implications, including Health and Safety Executive and Regulator of Social Housing investigation and prosecution.

## **8.0 Implications for consideration – Human resources**

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

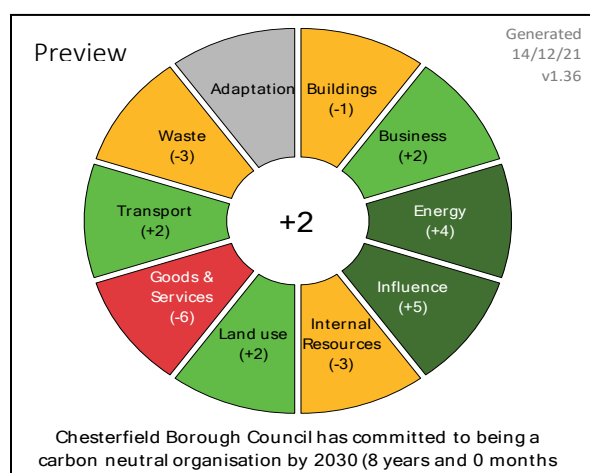
8.2 The Council's in-house Housing Property Services will however continue to deliver a good proportion of the Decent Homes programmes of work.

## **9.0 Implications for consideration – Council plan**

- 9.1 Delivery of the Housing Capital Programme contributes to the Council Plan priority of *improving the quality of life for local people*.
- 9.2 The Council continues through the Housing Capital Programme to invest in major improvements in our council homes including new kitchens, bathrooms, heating systems, windows and rewiring, contributing towards reduced energy usage and costs.
- 9.3 Housing Services continue to take a key role in the council's corporate arrangements for the procurement of contracts and their management. A clause will be included in all contracts to ensure a proportion of the labour employed by external contractors is from the local area alongside apprentice opportunities.
- 9.4 The Council also continues to improve access to and the quality of public spaces and parking through the completion of estate improvements, e.g. those at Newland Dale.
- 10.1 **Implications for consideration – Climate change**
- 10.1 A climate change impact assessment has been completed. This is attached at Appendix 4.



10.2 The estimated climate impact score of the Capital Programme is +2.



10.3 Whilst there are clear costs associated with the Capital Programme, the benefits outweigh the costs and steps are being taken to minimise the impact on climate change whilst ensuring our buildings are sustainable and fit for purpose in the future.

### 11.0 Implications for consideration – Equality and diversity

11.1 A full Equality Impact Assessment is attached at Appendix 2.

### 12.0 Implications for consideration – Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Failure to maintain Decent Homes Standard targets / invest in stock in a timely manner	Medium	Medium	The Programme has been set based on the outcomes from the most recent 2022 stock condition survey 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 elected members are involved in any future reviews of the Capital Programme. Publicise the 5-year programme of works to tenants so they	Low	Low

			can see when homes in their community will benefit from improvement work.		
Declining Stock Condition	Medium	Medium	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 2026/27.	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 works starting as soon as possible in any financial year. Regular contract progress meetings with Housing Property Services and external contractors to identify any slippage at the earliest stage and to	Medium	Low

			put in place mitigating actions to prevent any further slippage.		
Health Impacts on occupants	Medium	Medium	Ensure Capital Programme continues to prioritise investment in the non-traditional housing stock, which exhibit the most issues linked with poor health e.g., cold and damp conditions.	Low	Low
Loss of council homes through Right To Buy	High	High	RTB assumptions are made within the HRA Business Plan to reflect this loss of stock.	Medium	High
Additional investment in Fire Risk Works	High	High	Further investment over the period of the 5-year Capital Programme may be required on the blocks accommodation to meet the new regulations and requirements of fire safety.	Medium	Medium

### Decision information

<b>Key decision number</b>	<i>All key decisions must be in the Forward Plan at least 28 days in advance. There are constitutional consequences if an item is not in the Forward Plan when it should have been. Contact Democratic Services if in doubt.</i>
<b>Wards affected</b>	All

### Document information

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**Background documents**

These are unpublished works which have been relied on to a material extent when the report was prepared.

**Appendices to the report**

Appendix 1	Capital Programme
Appendix 2	Equality Impact Assessment
Appendix 3	Blocks Refurbishment Programme
Appendix 4	Climate Change Impact Assessment