

For publication

Housing Capital Programme: New Programme for 2019/20 through to 2023/24 (HC000)

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| Meeting: | Council |
| Date: | 27 February, 2019 |
| Cabinet portfolio: | Cabinet Member for Homes and Customers |
| Report by: | Director of Finance & Resources |

For publication

1.0 Purpose of report

- 1.1 To seek approval for the public sector housing 'Capital' programme for 2019/20 and provisionally for 2020/21 to 2023/24.
- 1.2 This report is due to be considered by Cabinet at its meeting on 26th February, 2019.

2.0 Recommendations

- 2.1 That the Housing (Public Sector) Capital Programme for 2019/20 is approved and its procurement, as necessary, be authorised.
- 2.2 That the Housing (Public Sector) Capital Programmes for 2020/21 to 2023/24 are provisionally approved.

- 2.3 That the OSD share of the Programme be approved.
- 2.4 That the Assistant Director – Housing and/or Director of Finance & Resources be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

3.0 **Financing the 2019/20 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 will be asked to approve revenue support for the 2019/20 Housing Capital Programme to the sum of £12,774,600 at their meeting on 26 February 2019. The 2019/20 Programme also includes £2,065,000 of carry forward from 2018/19 relating to schemes where work started later than anticipated e.g. new build housing at Manor Drive, Court Place, Heaton Court and Brockwell Court, refurbishment of a sheltered housing scheme (Catherine Court).
- 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. 73 sales have been completed in 2018/19 at 1 December 2018, above the self-financing assumption of 21. The HRA Business Plan for the coming years assumes levels above the self-financing assumptions of 60 in 2019/20, 25 in 2020/21 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, in year strategic property acquisitions and new build housing at Rufford Close and Heaton Court.

3.4 As shown in the HRA Business Plan, which will be reported to a future Cabinet meeting, 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 have and will continue to be undertaken:

- Increase the size of the new build housing scheme programme within the Housing Capital Programme, both through direct delivery with OSD and with a developer partner. A five year programme of new build sites is included in the Housing Capital Programme for 2019/20 to 2023/24
- 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 (2019/20 to 2023/24). A new Stock Condition Survey will be carried out in 2020/21.

3.6 An analysis of resources currently available for the 2019/20 Capital Programme and in each of the following four years is attached at **Appendix 1**.

4.0 **The 2019/20 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 2019/20 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 December 2018 and we fully anticipate this will continue to be 100% at the 31 March 2019.

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 previous 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 Following the amendments which were made to the base assumptions within the HRA Business Plan in 2017/18, to

reflect changes in national economic and housing policy, the financial viability of the HRA continues to be significantly improved, resulting in healthier forecasts contained in the HRA Revenue Budget report which will be reported to Cabinet on 26 February 2019. However, 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 may be lower than forecast if any of the assumptions made are not as successful as hoped.

- 4.7 The Housing Capital Programme has been set in accordance with the profile set out in the 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 (OSD) and external contractors, is available and maintained.
- 4.8 Many of the programmes for 2019/20 have already been procured in 2018/19 to ensure delivery on the ground does not slip due to any individual contracts ending and starting.
- 4.8.1 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.
- 4.8.2 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 fascia's and rainwater goods, to minimise the need to scaffold.
- 4.8.3 An increased programme is included for the **replacement of aging UPVC windows**; these replacements will in the first

year of the programme continue to precede the installation of **External Wall Insulation** to non-traditional and solid wall properties.

- 4.8.4 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 continue to mitigate against the change to the tenant repairing obligations.
- 4.8.5 Members previously approved a programme of environmental improvements at **Barrow Hill, London Boroughs Estate** and continued provision has been made for the second phase of this work, commencing on site in April 2019.
- 4.8.6 Increased provision has been made for a **new build housing programme**, working with a developer partner to deliver up to possibly 100 units over the 5 year period on larger sites and with provision being made for OSD to directly deliver on smaller sites over the same 5 year period, commencing at Manor Drive, Brimington (4 units) and Court Place, Middlecroft (1 or 2 units) in 2019/20.
- 4.8.7 The **Non Traditional (PRC) Housing stock** remains one of the key areas for modernisation and a final programme of works has been included, for works to **the remaining Unity** properties in early 2019/20.
- 4.8.8 The successful programme of **strategic housing acquisitions** remains to allow the purchase of properties which meet a strategic housing need, including former Right to Buys.
- 4.8.9 The **refurbishment of two further former sheltered housing schemes** to ensure that older person's

accommodation remains accessible and meets the future needs of our aging population.

5.0. **Tenant Involvement and Consultation**

5.1 The Steering Group established to consider the implications for the Housing Revenue Account Business Plan in 2016 and other tenants have continued to play an integral part in reviewing and / prioritising the Capital Programme.

6.0 **Investment Principles**

6.1 The work programmes for 2019/20 until 2023/24 continue to be prioritised 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, 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 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

These principles were agreed by Cabinet on 21st February 2017.

6.2 There have been some amendments to the previous Capital Programme reported to Cabinet / Council in February 2018. These amendments have been made either to meet policy objectives of the Council or where the actual amount of work required to the Council Housing Stock has been to a lower value than that identified by previous Stock Condition Survey data carried out in 2017.

7.0 **OSD Share Of Programme**

7.1 **Appendix 1** also shows the portion of the Capital programme that it is proposed to allocate to OSD. This is the same as the allocation's both in terms of value and proportion of the programme, agreed by Cabinet on 20th February 2018 and has been achieved in discussion with the Assistant Director - Commercial Services to ensure continued operational effectiveness. However the type of work package has altered from the previous report and the Operational Services Department Growth Plans will be amended to reflect this.

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

7.3 This share and / cash value of the Housing Capital Investment Programme for OSD from 2019/20 onwards will also contribute to the OSD 5 year Growth Strategy (subject to HRA funding and work needed on the stock) and the re-deployment of existing staff from responsive repair work to capital, subject to value for money.

7.4 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:

- Cost and quality benchmarking through Housemark and APSE,
- Sharing work packages with external contractors if they provide overall Value for Money (VFM) to the Authority
- Market testing work when and where appropriate through corporately agreed procurement arrangements
- Agree an approved corporate approach to how we best test Value for Money and Best Value in 2019/20.

7.5 In terms of OSD, an annual service plan is reported to the Cabinet which provides supporting evidence on VFM in accordance with the Council's Policy Objectives. It is proposed that this practice continues.

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. A clause will be 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 2020/21.

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 |
|---------------------------------------------------------------------------------------------------------------------------|--------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------|
| 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 | 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 | Medium | Low |

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| forward into future years | | | <p>will also allow for sufficient planning time to undertake design work, prepare specifications and seek any permission's, undertake any consultations and necessary procurements prior to work starting as soon as possible in any financial years.</p> <p>Regular contract progress meetings with OSD and external contracts to identify any slippage at the earliest stage and to put in place mitigating actions to prevent any further slippage</p> | | |
| 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 |
| Right To Buy | High | High | The Councils stock continues to decline through annual RTB sales – meaning that less work will be required to the stock as it continues to decrease. RTB assumptions are made within the HRA Business Plan to reflect this loss of stock at 60 in 19/20, 15 in 20/21 and 25 per annum thereafter in accordance with the self-financing settlement. The numbers are adjusted annually within the Business Plan to accurately reflect actual losses. | Medium | High |

11.0 **Equalities Impact Assessment (EIA)**

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

12.0 **Recommendations**

12.1 That the Housing (Public Sector) Capital Programme for 2019/20 is approved and its procurement, as necessary, be authorised.

12.2 That the Housing (Public Sector) Capital Programmes for 2020/21 to 2023/24 are provisionally approved.

12.3 That the OSD share of the Programme be approved.

12.4 That the Assistant Director - Housing and/or Director of Finance & Resources 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.

| Glossary of Terms | |
|--------------------------|-------------------------|
| HRA | Housing Revenue Account |
| VFM | Value for Money |

Decision information

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| Key decision number | 847 |
| 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

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| 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 | Housing Capital Programme 2019/20 to 2023/24 |
| Appendix 2 | EIA |
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