

For publication

Housing Capital Programme: New Programme for 2020/21 through to 2024/25 (HC000)

Meeting:	Council Cabinet
Date:	26 th February 2020 25 th February 2020
Cabinet portfolio:	Housing
Report by:	Liz Cook-Assistant Director-Housing

For publication

1.0 **Purpose of report**

- 1.1 To seek approval for the public sector housing 'Capital' programme for 2019/20 and 2020/21, and provisionally for 2021/22 to 2024/25.

2.0 **Recommendations**

- 2.1 That Cabinet recommends that:

- a) The Housing (Public Sector) revised Capital Programme for 2019/20 is approved.

- b) The Housing (Public Sector) Capital Programme for 2020/21 is approved and its procurement, as necessary, be authorised.
- c) The Housing (Public Sector) Capital programmes for 2021/22 to 2024/25 are provisionally approved.
- d) The OSD share of the Programme be approved.
- e) The Assistant Director – Housing and/or Acting Chief Finance Officer be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

3.0 **Revised Capital Programme 2019/20**

3.1 The 2019/20 programme has been revised to recognise changes during the year. The main ones are delayed starts on 2 major schemes (Brockwell New Build and Newlandale Estate Improvements). These have been compensated by an increase to the Grangewood Estate Improvement Scheme and to the Property Acquisitions budget. In addition, the spend on the Neighbourhood Action Plan at Barrow Hill has been rephased. The overall net result is a reduction of £1,774,000 in the 2019/20 programme.

3.2 The delayed works have been incorporated into the 2020/21 programme.

4.0 **Financing the 2020/21 Programme and Beyond**

4.1 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.

- 4.2 Cabinet will be asked to approve revenue support for the 2020/21 Housing Capital Programme to the sum of £10,962,300 in the HRA revenue budget report that is considered elsewhere on the agenda.
- 4.3 Right to buy sales stood at 57 as at 6th January 2020. This is lower than this time last year when 73 sales had been processed. The HRA Business Plan for the coming years assumes sales of 60 in 2020/21, 50 in 2021/22, 40 in 2022/23, 30 in 2023/24 and 25 in 2024/25. Additional receipts from Right to Buys exceeding those in the self-financing assumptions (21) can be retained in Chesterfield for the provision of new affordable housing. This money must be spent within 3 years and will require a funding contribution of 70% from HRA resources. The receipts accumulated to date have largely been spent on the Parkside Older Persons Housing Scheme, Heaton Court new build and strategic property acquisitions.
- 4.4 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 4.75% 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 with a developer partner. A five year programme of new build sites is included in the Housing Capital programme for 2020/21-2024/25.

- If required work with other local Registered Providers in exchange for a proportion of the stock on site and nomination rights.
- Increase the strategic acquisition programme within the Housing Capital programme.

4.5 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 (2020/21 to 2024/25). A new Stock Condition Survey will be carried out in 2020/21.

5.0 **The 2020/21 and Future Programmes**

5.1 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.

5.2 The proposed 2020/21 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. Details are shown in Appendix 1.

5.3 Currently 100% of the housing stock meets the Decent Homes Standard at the 9 January 2020 and we fully anticipate this will continue to be 100% at the 31 March 2020.

5.4 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.

5.5 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.

- 5.6 The HRA revenue budget report (included elsewhere on the agenda) shows that the capital programme for the 5-year period 2020/21 to 2024/25 is affordable without the need for any additional borrowing. However, there is the risk that balances may be lower than forecast if, for example, housing rent bad debts (write offs) increase above the levels assumed.
- 5.7 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 process 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.
- 5.8 Many of the programme for 2020/21 have already been procured in 2019/20 to ensure delivery on the ground does not slip due to any individual contracts ending and starting.
 - 5.8.1 The Central Heating Programme will continue in order to remove the risk of large scale heating failures as a result of the age of the boilers and the non-availability of the required parts.
 - 5.8.2 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.

- 5.8.3 The replacement programme for aging UPVC windows and External Wall Insulation will continue.
- 5.8.4 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.
- 5.8.5 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 in February 2020.
- 5.8.6 New build housing programmes working with external partners will continue at Heaton Court (10 units), Manor Drive (4 units) and Brockwell Court (21 units).
- 5.8.7 The successful programme of strategic housing acquisitions remains to allow the purchase of properties which meet a strategic housing need.
- 5.8.8 The refurbishment of one general needs and two further former sheltered housing schemes to ensure that older person's accommodation remains accessible and meets the future needs of our aging population.

6.0 **Investment Principles**

- 6.1 The work programmes for 2020/21 until 2024/25 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
- Environmentals – Fencing, gates, footpaths

7.0 **OSD Share of Programme**

7.1 Appendix 1 shows the portion of the Capital programme that is proposed to allocate to OSD to ensure continued operational effectiveness.

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 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 2020/21.

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	Low	Low

			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.		
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	High	High	A 5 year programme of works will allow sufficient time for growth in the workforce to have the capacity to	Medium	Low

being carried forward into future years.			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 permission's, undertake any consultations and necessary procurements prior to works starting as soon as possible in any financial years. 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.		
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	RTB assumptions are made within the HRA Business Plan to reflect this loss of	Medium	High

			stock. Details are shown in paragraph 4.3 of this report.		
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11.0 Equalities Impact Assessment (EIA)

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

12.0 Recommendations

12.1 That Cabinet recommend that:

- a) The Housing (Public Sector) revised Capital Programme for 2019/20 is approved.
- b) The Housing (Public Sector) Capital Programme for 2020/21 is approved and its procurement, as necessary, be authorised.
- c) The Housing (Public Sector) Capital Programmes for 2021/22 to 2024/25 are provisionally approved.
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- e) The Assistant Director – Housing and/or Acting Chief Finance Officer 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

Key decision number	929
Wards affected	ALL
Links	To improve the quality of life for local people and to deliver value for money services

Document information

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Appendices to the report	
Appendix 1	Capital Programme
Appendix 2	Equality impact assessment