

For publication

Housing Capital Programme: New Programme for 2021/22 through to 2026/27 (HC000)

Meeting:	Cabinet
Date:	22 February 2022
Cabinet portfolio:	Councillor Ludlow
Directorate:	Housing
For publication	

1.0 Purpose of the report

- 1.1 To seek approval for the public sector housing capital programmes for 2021/22 and 2022/23 and to provide an indicative programme for 2023/24 to 2026/27.
- 1.2 To seek approval to purchase and implement a new asset management system.

2.0 Recommendations

- 2.1 The Housing (Public Sector) revised Capital Programme for 2021/22 is approved.
- 2.2 The Housing (Public Sector) Capital Programme for 2022/23 is approved and its procurement, as necessary, be authorised.
- 2.3 The Housing (Public Sector) Capital programmes for 2023/24 to 2026/27 are provisionally approved.
- 2.4 The in-house delivery share of the Programme be approved.
- 2.5 The Service Directors – Housing and Finance be authorised to vire between programmes and budgets to manage the Capital Programme as set out in the report.

2.6 To approve the purchase and implementation of a new asset management system.

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.

3.2 Following the publication of the Social Housing White Paper it will be a requirement that the Regulator of Social Housing undertakes audits on landlord compliance which will require the Council to have a suitable asset management system in place that can satisfy the requirements of the regulator.

4.0 Report details

4.1 Capital Programme

The 2021/22 programme has been revised to recognise changes during the year. The principal ones are delayed starts on two major schemes, due to the Covid pandemic, (Middlecroft New Build and Newland Dale Estate Improvements). These have been compensated by an increase to the Barrow Hill Estate Improvement Scheme and to the Property Acquisitions budget.

4.1 The delayed works have been incorporated into the 2022/23 programme.

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

4.3 The proposed 2022/23 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.

4.4 Currently 100% of the housing stock meets the Decent Homes Standard at the 2 December 2021 and we fully anticipate this will continue to be 100% at the 31 March 2022.

- 4.5 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.
- 4.6 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 in 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.
- 4.7 The HRA revenue budget report shows that additional borrowing will be required to finance the capital programme for the 5-year period 2022/23 to 2026/27. The costs associated with this additional borrowing have been included within the revenue budget. There is a risk that balances may be lower than forecast if, for example, housing rent bad debts (write offs) increase above the levels assumed, this would lead to an increased borrowing requirement.
- 4.8 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, 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 and external contractors, is available and maintained.
- 4.9 Many of the programme for 2022/23 have already been procured in 2021/22 to ensure timely delivery.
- i. 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.
 - ii. 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 run in conjunction with chimneys, soffits and fascia's and rainwater goods, to minimise the need to scaffold.

- iii. The replacement programme for aging UPVC windows and External Wall Insulation will continue.
- iv. 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 Blocks Refurbishment Programme is attached in Appendix 3.

4.10 Members previously approved a programme of environmental improvements at Barrow Hill, London Boroughs Estate and continued provision has been included for the second phase of this works which is due to complete in September 2022.

4.12 New build housing programmes working with external partners will continue with Brockwell Court (21 homes) completing in February 2022. Additional new sites have been identified and developments planned at Markham Court (1 unit), Middlecroft (12 units) and Westwood Avenue (17 units) to start in 2022.

4.13 All new housing projects are being designed and built to standards that exceed the minimum standards as 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 the floors, walls and ceilings. During construction all materials are locally sourced from sustainable materials. For future use, sustainable features such as cycle stores are introduced, electric car charging points and rainwater recycling through collection points in the garden. Water usage is calculated and features such as perforated taps and low flow baths introduced to reduce consumption.

4.14 The investment proposed in the Housing Capital Programme will make a significant contribution to ensure the Council's Housing stock is improved to increase its SAP ratings and ensure all homes are efficient and provide affordable warmth for our tenants. 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 be regularly reviewed to ensure improved SAP ratings and make positive reductions on tenants utility bills.

- 4.15 The successful programme of strategic housing acquisitions remains to allow the purchase of properties which meets housing need and increases the housing stock.
- 4.16 The refurbishment continues of one general needs and two further sheltered housing schemes to ensure that older person's accommodation remains accessible and meets the future needs of our aging population will continue.
- 4.17 The fire risk improvement works to blocks identified in the Compliance Review undertaken by Savills in December 2019 is making good progress and will continue.
- 4.18 The work programmes for 2022/23 until 2026/27 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
 - Environmental – Fencing, gates, footpaths
- 4.19 Master planning will commence for the investment and upgrading of the Holme Hall estate.
- 4.20 **Asset Management System**
The Council currently does not have a comprehensive, supported Property Asset Management system for the housing portfolio. The current system in use is no longer supported and a suitable replacement system needs to be implemented.
- 4.21 The Council's failure to maintain its homes and comply with legislation could result in:

- A poor service being offered to tenants
- Loss of reputation
- Adverse legal implications, including HSE investigations and prosecution

In addition the Council needs to be able to readily evidence that they are meeting the Homes Standard for the Regulator of Social Housing.

- 4.22 Option 2 is the Council's Housing Management System of choice and offers a suitable module for Housing Asset Management which would enable full integration of systems. This system has been procured and already operating within the council.
- 4.23 A Property Asset Management System fully integrated with the Council's Housing Management System, this system would allow the benefits of 'one version of the truth' and provide accurate and timely management information for rapid decision making in a supported robust system with provision for disaster recovery.
- 4.24 The full business case to support the proposed new system is attached in Appendix 4.

5.0 Alternative options

- 5.1 An alternative asset management system was considered but the selection of the preferred system would enable full integration with existing council data management systems.

6.0 Implications for consideration – Financial and value for money

6.1 Capital Programme

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.

- 6.2 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 2022/23 due to

the delays from the Covid pandemic. The costs associated with this survey will be met by the Housing Revenue Account.

- 6.3 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. There will be a continued increasing focus on affordable warmth and energy efficiency.
- 6.4 Cabinet will be asked to approve revenue support for the 2022/23 Housing Capital Programme which is £3,377,283 identified in the HRA revenue budget report, which is on this agenda.
- 6.5 The Council has sold 83 homes through the Right to Buy as of 30th December 2021. At this time last year 34 homes had been sold. The HRA Business Plan for the coming years assumes sales of 50 in 2022/23, 40 in 2023/24, 30 in 2024/25, 25 in 2025/26 and 25 in 2026/27. 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 5 years and will require a funding contribution of 60% from the 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 is in development and will be presented to a future Cabinet meeting. The preparation of the business plan demonstrated that there will have sufficient funding available to meet this 60% funding contribution on the assumption that all of the mitigating actions to improve the financial viability, are realised. If these retained receipts are not used within 5 years, then they must be returned to DLUHC with 4% plus base rate interest. Therefore, in order to ensure that the receipts are retained in Chesterfield for the provision of new affordable housing, the following actions have and will continue to be undertaken:
- Continue with the planned new build programme within the Housing Capital Programme
 - The five-year programme of new build sites is included in the Housing Capital programme for 2022/23-2026/27.
 - Work with other local Registered Providers in exchange for a proportion of the stock on site and nomination rights.
 - Continue the strategic acquisition programme

- 6.7 The forecast total level of funding available for investment in the stock is enough to maintain the stock at 100% Decency based on the 2017 stock condition survey in the next five financial years (2022/23 to 2026/27). A new Stock Condition Survey will be carried out in 2022/23.
- 6.8 Appendix 1 shows the portion of the Capital programme that is its proposed will be delivered in house to ensure continued operational effectiveness. Consideration has been given to the level of in-house resources allowing for use of external contractors to support the delivery of the Capital Programme to address the backlog of works from 21/22 as a consequence of the Covid pandemic.
- 6.9 The five-year programme will allow planning for future works and make changes to the workforce and work programmes to ensure the capacity and skills are in place to deliver maintenance and investment in the Council homes.
- 6.10 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 2022/23.

6.11 **Asset Management System**

The estimated cost of implementing the new Asset Management System is £547,161 over a 5 year period, a full cost appraisal is illustrated in Appendix 4.

The current system which becomes obsolete was incurring a £17,000 annual maintenance charge.

7.0 **Implications for consideration – Legal**

- 7.1 The Council's failure to maintain its homes and comply with legislation could result in risk to tenant's safety and adverse legal implications,

including HSE and Regulator of Social Housing investigation and prosecution.

8.0 Implications for consideration – Human resources

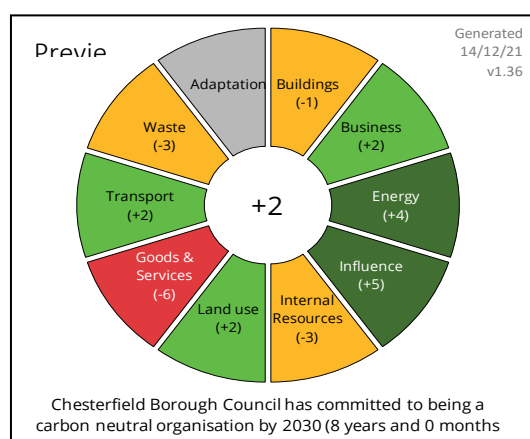
- 8.1 The sustained value of the Capital programme means that some of the work packages will be available to local contractors, subject to their winning the work in competition.
- 8.2 Housing Services continue to take a key role in the council’s corporate arrangements for the procurement of contracts and their management. A clause will be included in contracts to ensure a proportion of local labour.

9.0 Implications for consideration – Council plan

- 9.1 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 The Council also continues to improve access to and the quality of public spaces and parking through the completion of estate improvements at Barrow Hill and Grangewood.

10.0 Implications for consideration – Climate change

- 10.1 An impact assessment is attached in Appendix 5.
- 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 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

12.1

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 2022.	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 permission's, undertake any consultations and necessary procurements prior to works starting as soon as possible in any financial years. Regular contract progress meetings	Medium	Low

			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 stock. Details are shown in paragraph 6.5 of this report.	Medium	High

Decision information

Key decision number	1078
Wards affected	All

Document information

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Appendices to the report	
Appendix 1	Capital Programme

Appendix 2	Equality Impact Assessment
Appendix 3	Blocks Refurbishment Programme
Appendix 4	Outline Business Case – Asset Management System
Appendix 5	Climate Impact Assessment