

## For publication

### Housing Capital Programme: New Programme for 2022/23 through to 2027/28 (HC000)

<b>Meeting:</b>	Council
<b>Date:</b>	22 February 2023
<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 Public Sector Housing Capital Programmes for 2022/23 and 2023/24 and to provide an indicative programme for 2024/25 to 2027/28.

#### 2.0 Recommendations

- 2.1 That Cabinet recommends to full Council that the Housing (Public Sector) revised Capital Programme for 2022/23 be approved.
- 2.2 That Cabinet recommends to full Council that the Housing (Public Sector) Capital Programme for 2023/24 be approved and its procurement, as necessary, be authorised.
- 2.3 That Cabinet recommends to full Council that the Housing (Public Sector) Capital programmes for 2024/25 to 2027/28 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 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 21 February, 2023 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

### **Capital Programme – 2022/23**

- 4.1 The 2022/23 programme has been revised to recognise changes during the year. The principal change is the delayed start of a major new build scheme at Staveley, due to the Covid pandemic and a main contractor going into liquidation. The delayed works have been incorporated into the 2023/24 programme (please see Appendix 1).

### **Capital Programme – 2023/24 to 2027/28**

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

- 4.2 Early indications from the 2022 Stock Condition Survey carried out by Savills, identified that the condition of the housing stock has improved since the previous survey in 2017. This demonstrates that the investment assumptions in the stock have 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.
- 4.3 The proposed 2023/24 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 November 2022) and we fully anticipate this to reach 100% during 2023/24.
- 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 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 2023/24 until 2027/28 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 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) is progressing well, and will continue to reflect the recommendations of the planned Fire Risk Assessments undertaken on a 5 yearly cycle depending on risk priority.
- 4.7 The Stock Condition Survey has identified that approximately 6% of the housing stock surveyed is experiencing issues with damp and mould. Significant investment has been ringfenced in the Capital Programme to deal with these cases, which are expected to rise further 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 late 2023) and several others commencing from 2023/24 onwards, including the Holme Hall estate.
- 4.9 The refurbishment at Aston Court, changing the use to general needs housing accommodation and the construction of three new build properties has started, and will continue in to 2023.
- 4.10 Based on the approval of the future years indicative programme in 2022/23, many of the programmes for 2023/24 have already been procured, to ensure timely delivery;
- 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 non-availability of the required parts.
  - The kitchen replacement programme will 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, 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 will continue.
  - 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 indicative Blocks Refurbishment Programme is attached at Appendix 3.

- 4.11 The investment proposed in the Housing Capital 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 and make positive reductions to tenants' utility bills.
- 4.12 A decarbonisation feasibility study has been planned for 2023 to identify the options available to enable Housing Services to meet the Council Climate Change targets for 2030 and 2050 respectively.
- 4.13 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 due to rising building cost inflation.

#### **Investment in new build**

- 4.14 The Council's new build programme will continue with Middlecroft, Westwood Avenue and Markham Court due to complete in 2023/24. An additional new site at Mastin Moor has been identified and feasibility design commenced, with development planned to start in 2023. 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	2023	1	3
Barrow Hill	2025	2	25
Belmont Drive	2025	1	6
Markham Court	2023	1	1
Mastin Moor (2 sites)	2023	2	17
Middlecroft Cluster	2022	2	10
Westwood Avenue	2023	1	9
New sites to be identified	2026-2028		24
<b>Total Units in Plan</b>			<b>96</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 the floors, walls and ceilings. Developments will include cycle stores, electric car charging points and rainwater recycling through collection points in the garden, to improve sustainability. Water usage is calculated and features such as perforated taps and low flow baths introduced to reduce consumption.

### Investment in acquisitions

4.17 The successful programme of strategic housing acquisitions continues, to allow the purchase of properties which meet housing need, thus increasing the Council’s housing stock. All existing and 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>
Newhall Road	2022	1	7
Linacre	2023	4	28
<b>Total units in Plan</b>			<b>35</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 investment in housing stock, over the 5-year capital programme to 2027/28. This has been informed by the stock condition survey carried out in 2017, adjusted by the early indications from the 2022 Stock Condition Survey, carried out by Savills.

<b>Public Sector Housing Capital Programme</b>							
<b>Programme</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>2027/28 £</b>	<b>Total £</b>
Works to existing stock	17,282,800	22,317,305	17,185,554	15,690,315	13,801,853	13,654,549	99,932,375
other works	853,342	170,000	25,000	25,000	25,000	25,000	1,123,342

New build and acquisition	3,702,632	8,152,617	2,950,000	6,750,000	5,050,000	4,050,000	30,655,249
<b>Total</b>	<b>21,838,774</b>	<b>30,639,922</b>	<b>20,160,554</b>	<b>22,465,315</b>	<b>18,876,853</b>	<b>17,729,549</b>	<b>131,710,966</b>
<b>Financed by</b>							
Direct Revenue	5,451,703	3,389,458	3,010,683	2,779,645	3,284,674	3,742,444	21,658,608
Financing							
Borrowing	0	10,430,890	1,896,956	3,671,913	1,243,632	487,485	17,730,876
Capital Receipts	4,254,601	4,687,105	3,120,445	3,918,166	2,334,636	1,485,710	19,800,662
Major Repairs Reserve	12,132,470	12,132,470	12,132,470	12,095,590	12,013,910	12,013,910	72,520,820
<b>Total Funding</b>	<b>21,838,774</b>	<b>30,639,922</b>	<b>20,160,554</b>	<b>22,465,315</b>	<b>18,876,853</b>	<b>17,729,549</b>	<b>131,710,966</b>

- 6.2 The overall financial strategy continues to focus on the maintenance of the Decent Homes Standard, delivering improvements to the estate environment, our climate change ambitions and increasing the development programme of new council housing.
- 6.3 HRA capital expenditure is financed from a variety of resources generated from the Major Repairs Reserve or other revenue, grants, capital receipts or borrowing.
- 6.4 The Council is able to borrow to fund additional social housing stock either through new builds or acquisitions. 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. Although there is no longer a limit on borrowing, all schemes 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 to 40-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 **£132m**, which is within the indicative debt cap limit.
- 6.5 The Council is able to utilise receipts from the sale of council houses to support the capital programme. The Council has sold 63 houses (down from the 83 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 5 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 Business Plan has been refreshed based on the assumptions set out in this report and those contained within the Housing Revenue Account Medium Term Financial Plan. In developing the plan a number of assumptions have been made around future rent increases, inflation and interest rates, as well as the level of voids and right-to-buy. The 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 The business plan will be kept under review as part of the ongoing revenue monitoring and will be updated when the full impact of the 2022 stock condition survey has been reviewed and understood.
- 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:
- 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
- 6.9 A value for money exercise was undertaken on the 2022/23 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 2023/24 and expanded to include the revenue repairs work.
- 6.10 Cabinet will be asked in a separate HRA revenue budget report, to approve revenue support for the 2023/24 Housing Capital 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 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 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.

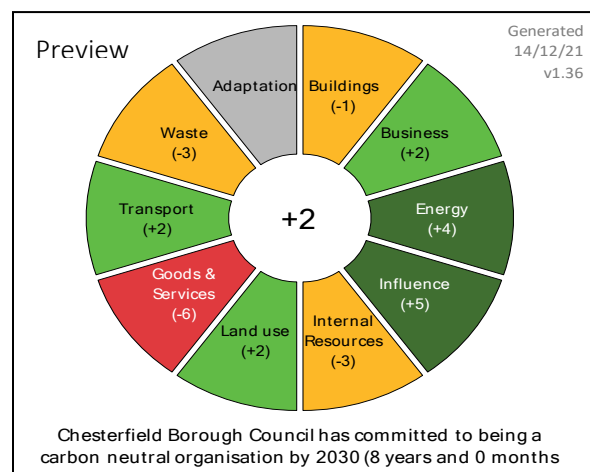
9.3 The Council also continues to improve access to and the quality of public spaces and parking through the completion of estate improvements at Newland Dale.

9.4 During 2022/23, successfully completed capital projects included the delivery of 21 new homes at Badger Croft, Barrow Hill Environmental Scheme and the refurbishment of Leander and Mallard Court alongside the continued Decent Homes programmes of work and blocks refurbishments, as illustrated in Appendix 5.

**10.1 Implications for consideration – Climate change**

10.1 An impact assessment is attached in 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	Low	Low	The programme has been set based on the most recent 2022	Low	Low



targets / invest in stock in a timely manner			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.		
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 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	Medium	Low

			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 HPS and external contractors 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.	Medium	High

### 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

<b>Report author</b>
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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 Impact Assessment
Appendix 5	Photographic Summary of Capital Projects 2022/2023