

<b>Title of meeting:</b>	Cabinet Member for Housing and Preventing Homelessness
<b>Date of meeting:</b>	23 <sup>rd</sup> March 2023
<b>Subject:</b>	Council Housing Maintenance and Improvements and Housing IT Business Software 2023/2024
<b>Report by:</b>	James Hill - Director of Housing, Neighbourhood and Building Services
<b>Report Author:</b>	Meredydd Hughes - Assistant Director Building Services Merrick Trevaskis - IT Business Partner (Housing IT Capital Element)
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes - Over £250,000
<b>Full Council decision:</b>	No

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## **1. Purpose of Report**

- 1.1 The revised 2022/2023 and 2023/2024 Housing Investment Programme capital budgets together with the proposed programmes for 2024/2025 to 2028/2029 were approved by the City Council on 28<sup>th</sup> February 2023<sup>1</sup>.
- 1.2 The Council Housing Repairs & Maintenance revenue Budgets for 2022/2023 and 2023/2024 were approved at the Housing and Preventing Homelessness Cabinet Decision meeting on 2<sup>nd</sup> February 2023<sup>2</sup>.
- 1.3 The purpose of this report is to inform Members of the spending proposed for the next financial year for revenue and capital funded maintenance and improvement programmes for the City Council's retained housing stock together with Housing IT Business Software. To seek approval to incur expenditure in respect of the capital schemes and rolling programmes and to show how the budgets have been allocated on an area office basis.

The report will also update the Cabinet Member on the year end position on the delivery of the 2022/23 Repairs & Maintenance capital programme, the forecast spend against the approved budget and to highlight any future issues.

## **2. Recommendations**

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<sup>1</sup> [Revenue Capital Budget 2023 24 Report February 2023 24 Cabinet.pdf \(portsmouth.gov.uk\)](#)

<sup>2</sup> [Agenda for Cabinet Member for Housing and Preventing Homelessness on Thursday, 2nd February, 2023, 10.00 am Portsmouth City Council](#)



- 2.1 That the allocation of finance for the funding of the Revenue Budgets for repairs and maintenance of dwellings listed in Appendix A be noted.
- 2.2 That the allocation of capital budgets listed in Appendix B and Appendix C for 2023/2024 be agreed and the Director of Housing, Neighbourhood and Building Services be authorised to seek approval from the Director of Finance and Resources (Section 151 Officer) under Financial Rules, Section B11, to proceed with schemes within the sums allocated.
- 2.3 That the Cabinet Member notes the year end position and progress of the 2022/23 Repairs and Maintenance budget plan and capital spend.

### **3. Background**

- 3.1 The Council Housing Maintenance and Improvement Budget 2023/2024 outlines all of the programmed capital and revenue, maintenance, and improvement expenditure to the housing stock on an area office geographical basis.
- 3.2 The budget programme amounts to a continued significant investment in the City Council's retained housing stock, and at the same time allowing flexibility to deal with emergent and changing building maintenance priorities.

### **4. Revenue and Capital Budgets**

- 4.1 Revenue Budgets - Repair and Maintenance of Dwellings Budget

The main summary for all areas showing the headings for the allocation of the £28,600,000 budget is attached to this report as Appendix A along with the analysis of each individual Area Office work programme.

- 4.2 Capital Budgets - Various Schemes

A summary of this \*£30,390,000 budget is shown in Appendix B. There are several areas within this programme for 2023/2024 where the budget shown represents a global provision from which a number of smaller schemes are financed. (\*total including professional fees).

The Budget Plan 2023/2024 Appendix D details the allocation of all revenue and capital budgets together with the planned programme of project work across all geographical area housing offices. Projects include continued investment in fire safety upgrade work, energy efficiency and decarbonisation works to our Housing Revenue Account (HRA) properties and new investment linked to the Environment Act 2021 and the Building Safety Act 2022.

A summary of the Housing IT capital investment of £330,000 is shown in Appendix C for 2023/2024.

### **5. Actual Progress against 2022/23 Planned Programme.**



5.1 HRA Capital Building Projects - summary update as of 28<sup>th</sup> February 2023.

The Building Projects team are working on 56 HRA Capital Building Projects at present. They are broken down as follows:

- A total of 29 projects are on site or have been completed.
  - 10 projects have been completed.
  - 3 projects have continued from 2021/22.
  - 16 new projects have commenced on site in 2022/23.
- The remaining projects are currently being evaluated or following evaluation have been determined as not require a full planned maintenance scheme at this time.

The value of projects that the team is currently working on is £33m with an in-year expenditure against these of £25.9m to the end of quarter 3.

The works undertaken on site have helped improve the condition of 59 blocks of flats and a total of 1709 individual dwellings.

Other key workstreams undertaken by the Capital Projects service in 2022/2023 include;

- Completion of the first sprinkler installation to a HRA block of flats at Ladywood House.
- Establishment of the Void Sub-Lot as part of the PCC Primary Contractor Framework to support the undertaking of complex and higher value voids, to build contractor capacity, streamline the procurement process and reduce void end to end times.
- Ongoing development of an Asbestos Consultant Framework to facilitate undertaking of asbestos surveys and samples.
- Retrofit Pilot Project - A consultant has been appointed to undertake pilot studies to 19no. sites (consisting of 23no. blocks of flats and 17.no houses) to assess the cost and viability of undertake whole property retrofit projects to houses and blocks of flats to reduce energy demand for properties and reduce carbon emissions.
- Decarbonisation works through increasing roof insulation as part of roof replacement to projects at Somers Road, Dunsmore Close, Tweed Court, Hawthorn Crescent and West Leigh
- Completion of 39 pre-acquisition surveys of houses to support the purchasing of new HRA housing stock.

5.2 In the 2<sup>nd</sup> half of 2022/23 the Building Projects team have been receiving tenders in line with their pre-tender budget estimates but which are still some 20% to 25% higher than 2019/2020 pre COVID-19 levels. Future predicted construction tender price inflation for 2023/24 which are described in section 6.2 have been



factored into the estimated budgets for next year's capital programme but will place a further pressure on the capital budgets available and the reliance on the major repairs reserve.

## **6 Future Budget Pressures and financial forecasts**

6.1 In terms of the future economic forecast affecting our ability to deliver the Housing Revenue capital programme, the Bank of England reported on 2<sup>nd</sup> February 2023 that they expected inflation to fall quickly in 2023 in part due to the following reasons:

- Firstly, wholesale energy prices have fallen significantly. In Europe, they have halved over the past three months up to the end of January 2023. Although this fall will not have been felt in domestic bills yet this change will help to bring inflation down.
- Secondly, they expect a sharp fall in the price of imported goods. The reason being that some of the production difficulties businesses have faced during and post the pandemic are starting to ease.
- Thirdly, as the cost-of-living crisis further impacts people have less money to spend, with a resulting reduction in demand for goods and services in the UK.

The Bank of England further predicts that all of the above should mean that the prices of many goods will not rise as quickly as they have done over the past 12-18 months.

Finally, the Bank of England predicts that there are signs that inflation might now have peaked and begun to fall a little. They predict that inflation will begin to fall from the middle of this year and be around 4% by the end of 2023.

6.2 The Royal Institute of Chartered Surveyors (RICS) building cost information service (BCIS) January 2023 overview have forecast that their 'All-In' Tender Price Index (TPI) predicts a 2.2% rise in tender costs from quarter 1 of 2023 to quarter 1 of 2024. This is a slower rise than in the previous two years as costs plateau and is comparable to the January 2023 predicted 2023 tender price rises by construction consultants Mace 2.5% and Gardiner & Theobald 2.75%.

6.3 The RICS are also reporting:

- Some material prices are easing (timber, steels, metals) and are forecast to increase in low single figures whilst oil products continue to show the highest annual percentage growth rate. Existing high energy costs will result in escalating prices for energy intensive construction materials such as bricks, blocks, cement and ceramics.
- A predicted fall in new construction work output in 2023 by 6.2%, and interest rates will be up to 4% by the end of the year.



- Post Brexit and post pandemic there continues to be a chronic shortage of both skilled and unskilled labour in the construction industry. This is also likely to be exacerbated by the prevalence of an ageing workforce and will create additional inflationary pressures in the industry.
- The current round of UK strikes may affect inflation but with the private sector wage awards and operative site rates at a high level this may already be factored into inflation.
- The UK economy and the construction industry will be prey to changes in global forces, notably the continuing Ukraine war and its effect on energy prices, as well as the upward progress of the Chinese economy.
- The capacity to deliver contracts could also be affected by weakened balance sheets with rising levels of insolvency of building contractors.
- In summary economic uncertainty will make contractors keen to tender, however, it also increases their risk of delivery due to the variances of factors detailed above. Although labour site pay rates are rising faster than general wage awards, supply issues with materials have largely been resolved. Over the next 5 years forecast tender prices are likely to be suppressed in the first 2 years (2023 and 2024) of the forecast due to reduced demand. It is not until the last two years of the forecast that tender prices are likely to rise faster than basic costs, with tender prices forecast to rise by 13% in the next 5 years to the 4<sup>th</sup> quarter 2027.

- 6.4 At a local level PCC's Core Group of repairs and maintenance contractors are still reporting difficulties in recruiting new and retaining existing operatives to undertake repairs, voids and project works. Their own forecast on material cost increases for 2023 will be in single figures.
- 6.5 With post pandemic tender returns remaining at 20 - 25% higher than pre 2019/20 levels, this inflationary effect is adding an additional £4.8 - £6.0 Million to a pre-pandemic capital programme budgeted at £24 Million. In addition, new legislation relating to the Environment Act 2021 and the Building Safety Act 2022 places further new significant budgetary pressures on the HRA capital programme. Officers in Building Services will continue to review ongoing capital expenditure against the whole capital programme including DFG's, over bath showers, and new kitchen & bathrooms, to consider if the works may need to be paused, delayed or delivered differently to reduce budget spend.
- 6.6 At the Housing and Preventing Homelessness cabinet meeting on the 27th of October 2022<sup>3</sup>, Assistant Director of Buildings Meredydd Hughes presented an interim report on the progress of the Council Housing Maintenance and Improvement Programme for the first 6 months of 2022/23. The report advised the 6-month progress of projects against the planned programme together with reported future budget pressures and possible mitigation measures. A report outlining the same for 2023/2024 will be presented in October 2023.

## 7 Integrated impact assessment (IIA)

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<sup>3</sup> [Agenda for Cabinet Member for Housing and Preventing Homelessness on Thursday, 27th October, 2022, 10.00 am Portsmouth City Council](#)



- The report details wide-ranging capital schemes following the budget allocation at Council on 28th February 2023. The IIA has been completed and is attached (Appendix E).
- There will be further reports on some of the major schemes, for which IIA assessments will be carried out.
- The programme includes an allocation for Disabled Facilities Grant.

## **8. Legal implications**

- 8.1 There are no legal implications arising directly from the recommendations in this report and the body of the report confirms the budget allocation is as per that set at Council on 28th February 2023.

## **9. Director of Finance's comments**

- 9.1 The Housing Revenue Account budget for 2023/24 approved on the 2<sup>nd</sup> February 2023, contained a revenue provision of £28.6m to fund the works set out in Appendix A.
- 9.2 Financial Rules Section B11 states that any approved scheme of any value can only commence following approval by the Section 151 officer of a full and proper financial appraisal, following consultation of the detailed scheme with the relevant Portfolio holder. The allocation of budgets to the schemes in Appendices B and C represent the recommended financial appraisal to be submitted for the Section 151 officer approval following this consultation.
- 9.3 The cost of the attached Capital Programme will be met from the HRA ringfenced major repairs reserve, supplemented with leaseholder contributions and grant funding, as appropriate. The draw on the major repairs reserve in 2023/2024 (£30.39m) is anticipated to be higher than the annual major repairs allowance contained in the revenue budget (£26.56m), meaning that the accumulated balance will be reduced to circa £7m by the end of the 2023/2024 financial year. As this balance represents a provision for emergency work, the initial budget in subsequent years will be limited to the annual allowance for that year.

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Signed by: **James Hill - Director of Housing, Neighbourhood and Building Services**

### **Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

Appendix A - Revenue Budget - 2023/2024

- Appendix B - HRA Capital Budget All Areas - 2023/2024
- Appendix C - IT Capital Schemes - 2023/2024
- Appendix D - Budget Plan - 2023/2024
- Appendix E - Integrated Impact Assessment (IIA)

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet member for Housing and Preventing Homelessness on 23rd March 2023.

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Signed by: **Councillor Darren Sanders - Cabinet Member for Housing and Preventing Homelessness.**