



Title of meeting: Cabinet Member for Housing and Tackling Homelessness

Date of meeting: 26th October 2023

Subject: Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2023/2024

Report by: James Hill - Director for Housing, Neighbourhood and Building Services

Authors: Adam Hardwick - Assistant Director – Buildings
Alan Denford – Finance Manager

Wards affected: All

Key decision: Yes

Full Council decision: No

1. Purpose of Report

- 1.1 The purpose of this report is to update the cabinet member on the delivery of the Council Housing Maintenance and Improvements Programme 2023/24, the spend against the approved budget and to highlight any future issues.
- 1.2 The report also provides an 'industry update' highlighting the wider financial and operational context impacting on repairs and maintenance.
- 1.3 To seek approval to reset and review the ongoing Capital Programme.

2. Recommendations

- 2.1 That the Cabinet Member notes the progress of the budget plan and revenue and capital expenditure and the ongoing pressures on both the revenue and capital budgets.
- 2.2 That approval is given to amend the allocation of budgets within the capital programme to allow for it to be reviewed and reprogrammed, prioritising demand to meet the legislative requirements under the Building Safety Act 2022 within available budgets and the Director of Housing, Neighbourhood and Building Services be authorised to proceed with schemes within the sums approved under Financial Rules, Section B11.

3. Background

- 3.1 The Council Housing Maintenance and Improvements and Housing IT Business Software 2023/2024 budget report was presented to the Cabinet Member for Housing and Preventing Homelessness by Meredydd Hughes,

Assistant Director of Building Services on 23rd March 2023.

3.2 The Assistant Director of Building Services introduced the report and talked to the revenue and capital budgets, the allocation of monies to work type and area office location and highlighted some key work streams and budget pressures.

3.3 In response to questions around rising costs the cabinet member agreed that a report on the delivery of the capital programme against the budget approved was brought back to a housing portfolio cabinet during the financial year 2023/24. A similar report had been presented to the cabinet member in October 2022.

4. Industry Update

4.1 The Building Cost Information Service (BCIS) Quarterly Briefing for June 2023 indicates that the market is at a turning point as input cost inflation and demand pressures fall.

4.2 The growth in insolvencies is stated to be worrying and it is thought that new regulations may delay schemes due to additional design requirements borne from the regulations and the impact of resultant costs.

4.3 Tender prices in 2nd Quarter 2023 rose by 1% compared to the previous quarter and by 4.9% on the same time last year. Labour site rates continue to rise faster than wage awards and are expected to be the main driver of the growth in overall costs in the second half of 2023.

4.4 Materials inflation has been easing and supply chain issues are being mostly resolved. Annual growth in tender prices is expected to continue to ease, standing at 2.4% in 2nd Quarter 2024. It is not until the 2nd Quarter 2025 that tender prices are likely to rise faster than costs, with tender prices forecast to rise by 16% in the five years to 2nd Quarter 2028.

4.5 Materials prices rose by 3.1% in the 12 months to 2nd Quarter 2023. Although overall the availability of materials is at pre-Covid levels and energy prices are going down, costs for some materials, especially those requiring an energy intensive manufacturing process, are seeing high growth rates.

4.6 Wage awards over the next year are likely to be under pressure from high inflation, with the annual growth in BCIS Labour cost index forecast at 4.9% in 2nd Quarter 2023 and 8.3% in 2nd Quarter 2024.

4.7 BCIS General Building Cost Index has grown by 3.5% in the 12 months to 2nd Quarter 2023. Costs are predicted to rise by 16.3 % over the forecast period of 2nd Quarter 2023 and 2nd Quarter 2028.

4.8 Total new work output grew by 4.4% in 2022 compared to the previous year. New construction output is expected to reduce between 2023 and 2024, before rising 13% over the next five years.

5. Revenue Maintenance

5.1 Within the Council Housing Maintenance and Improvements budget for 2023/24, £28.6m was allocated to revenue expenditure to undertake maintenance works including;

- Day to day response repairs
- Servicing and compliance - including gas safety, electrical testing and fire risk assessments
- Planning revenue works - external repairs and decoration to properties

5.2 For the financial year 2023/24 from 1st April 2023, 24,013 response repairs have been completed as of 1st September 2023.

5.3 The number of new tenancies where void works have been completed from 1st April 2023 to 30th September 2023 is 528 against 397 properties that have become void in this period. This demonstrates that contractor capacity has increased to meet the demand being received and is an improved position.

5.4 Key compliance activities undertaken from 1st April 2023 to 20th September 2023 include;

- 8,071 Gas safety checks
- 1,008 Electrical installation condition reports
- 74 Fire Risk Assessments / Fire Risk Assessment reviews

5.5 Total revenue expenditure from 1st April 2023 to 31st August 2023 is c.£12.5m.

6. Capital Programme

6.1 Within the Council Housing Maintenance and Improvements budget for 2023/24, £30.39m (inclusive of fees) was allocated to capital expenditure.

6.2 This budget was allocated against the following areas;

- Response Capital £13.7m - for replacement of kitchens, bathrooms, heating, disabled adaptations
- Building Capital Projects - £13.19m - capital planned maintenance schemes to undertake major improvements to the building fabric, fire safety, legislative areas
- Engineering Capital Projects - £2m - capital planned maintenance schemes to undertake major improvements to engineering services including lighting improvements, electrical upgrades and lift replacement

- 6.3 As of 31st August 2023, expenditure against response capital works was c.£5.75m with works completed including the installation of;
- 111 Kitchens
 - 207 Baths
 - 269 Over bath showers
 - 212 Boilers
- 6.4 As of 20th September 2023, 17 Building HRA Capital Projects have been worked on, broken down as follows;
- 3 projects completed
 - 10 projects on site
 - 4 projects at the evaluation/tender stage
- 6.5 A full break down of these projects are included within Appendix A - Building Projects Tracker. Total expenditure for 2023/24 for these projects is anticipated to be within the £13.7m budget.
- 6.6 In addition 27 capital project voids have been worked on. These relate to large void refurbishments, where the pre-work estimates is in excess of £30k. They are broken down as follows;
- 16 project voids have been completed
 - 8 project voids are on site
 - 3 project voids are being evaluated/at tender
- 6.7 In year expenditure against capital projects that are complete/on site is £4.35m. Total expenditure for 2023/24 for these projects is anticipated to be within the £13.19m allocation.
- 6.8 In addition to Building Capital Projects, significant work has been undertaken to respond to the implementation of the Building Safety Act 2022. A Consultant Framework has been established and a lead Consultant has been appointed.
- 6.9 The HRA Building Safety Manager is overseeing work to undertake investigations and resident consultation in preparation of Building Safety Case Reports for the 22 blocks of flats in scope. It is anticipated that completion of this initial piece of work will generate recommendations that will lead to a number of Building Safety capital projects and inform the priorities for the capital programme.
- 6.10 All social housing landlords are required to register buildings that are 7 storeys or above with the Building Safety Regulator by 30th September 2023. All of the 22 housing owned buildings have been registered.

6.11 It is predicted that overall capital expenditure for 2023/24 will be in line with the approved budget of £30.39m.

7. Future Budget Pressures and Mitigation Measures

Revenue

- 7.1 There continues to be significant pressure on the revenue budget that is responsible for repairs and legislative servicing of HRA stock. Based upon current repair demand it is estimated that the revenue budget will overspend for 2023/24 by c. £1m.
- 7.2 Whilst the number of response repairs undertaken has remained consistent with that seen in previous years, due to the nature of Service Provider contracts being 'cost reimbursable' PCC are responsible for any additional costs or price increases borne by our Service Providers.
- 7.3 Key factors that have directly contributed to the increased expenditure include;
- A minimum 5% pay rise has been awarded to Service Provider staff. This has been necessary to implement to support recruitment and retention of staff to ensure service continuity.
 - Whilst inflation has fallen from 8.9% in March 2023 to a current rate of 6.3%, it continues to be high with falls slower than anticipated. As outlined in 7.2 any direct increase in cost is directly borne by PCC.
- 7.4 Whilst a significant increase of £4.1m was allocated to the HRA revenue budget for 2023/24, due to the pressures outlined the financial position remains pressured.
- 7.5 The current overspend is being managed with for example, an increased focus on ensuring the repairs purpose 'the right repair at the right time' through surveyor visits and discussions with Service Providers on efficiencies and cost control. The situation will be carefully monitored throughout the remainder of the year and the financial position reported through budget monitoring.
- 7.6 The presentation of next year's HRA revenue and capital budget (the Council Housing Maintenance and Improvements and Housing IT Business Software 2024/2025 report) in March 2024 will set out recommendations to further control the repairs and maintenance revenue and capital spend.

Capital

- 7.7 In line with Industry Update in section 4, tender prices being received appear to be stabilising, albeit to a revised base line that is c.25% higher than what may have been anticipated prior to the COVID-19 pandemic. Based upon the current Capital Budget amount, this equates to a real term reduction of c.£8m of available Capital funding.
- 7.8 Generally material supply pressures are easing however with ongoing high inflation

and subsequent industry wage rises, there is concern with regard to increasing costs.

- 7.9 In the financial years 2021/22 and 2022/23 there was significant increase in the scale of the Capital programme with the inclusion of a longer-term Capital Programme specifically relating to the installation of fire doors and sprinkler installations over multiple years. These projects were funded from the approved annual Major Repairs Allowance (MRA) with additional funding drawn from the accumulated Major Repairs Reserve (MRR).
- 7.10 In 2022/23 due to increased budget pressures primarily driven through high inflation in the latter half of 2023, as well as increasing legislative demand and increasing project costs, this required a significant draw from the MRR of £9.86m, reducing the MRR balance from £22.75m to a resultant reserve of £12.89m.
- 7.11 The current Capital Programme for 2023/24 includes a range of work programmes including longer-term fire door and sprinkler programmes. The commitment remains to deliver the programmes but it is essential that the Building Safety Cases are completed and the capital available is aligned to those cases so that expenditure on resultant Building Safety works can be prioritised based upon the most pressing demands. It should be noted that essential fire safety actions are still being undertaken as required. Despite the reduced scale of the Capital Programme for 2023/24, a further draw of £3.69m from the MRR is anticipated, leaving a resultant reserve of £9.2m.
- 7.12 It is not sustainable to continue to undertake a significant draw from the MRR, therefore it will be necessary for the 2024/25 capital programme to align with the available MRA that is anticipated to be £26.7m.
- 7.13 Given the resultant pressures on the MRA and MRR it is requested that the Cabinet Member allows for the previous longer-term Capital Programme related to fire doors and sprinklers to be set aside so that a new Capital Programme can be established upon completion of the Building Safety Cases, prioritising works and properties identified from the Safety Cases.
- 7.14 The Cabinet Member and residents should be assured that there remains a firm commitment to continue Building Safety works such as replacement of fire doors and installation of sprinkler systems however the key change is that the order of prioritisation of these works and other related Building Safety works will be informed from the output of the Building Safety Cases currently being produced, and that this may differ from that indicated in the previous Capital Programme.
- 7.15 Any changes to the Capital Programme and information around Building Safety cases will be communicated to residents through various channels including briefings to the resident's consortium, resident repairs focus groups and PCC Housetalk magazine. Where blocks are specifically subject to Building Safety Cases, consultation and drop-in sessions will be arranged for each block.

8. Integrated Impact Assessment (IIA)

8.1 See Appendix B – Integrated Impact Assessment.

9. Legal Implications

9.1 The council has a number of legal statutory obligations to maintain its properties to a safe standard of repair and undertakes maintenance of its property in accordance with various good practice guidance. The Building Safety Act 2022 brought into force additional requirements for the council in terms of the management of building safety risks which have necessitated a review of the capital programme as set out in this report in order to meet those requirements.

9.2 It is within the Cabinet Member's powers under the council constitution to approve the recommendations sought.

10. Director of Finance's Comments

10.1 The Housing Revenue Account budget for 2023/24, approved on the 2nd of February 2023, contained a revenue provision of £28.6m. The forecast expenditure is currently £29.6m, a predicted overspend of £1m due to inflationary pressures, as described in paragraphs 7.1 to 7.6 above. This position will be closely monitored for the rest of the financial year.

10.2 The approved Capital Programme for 2023/24 included an allocation of £750,000 for Building Safety Case Work. It is recommended that this allocation is increased within the overall budget for Building Capital Projects. As a result, some of the planned work on fire door and sprinkler installations will need to be funded from future year capital allocations, as described in paragraphs 7.7 to 7.15 above.

10.3 The cost of the approved 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 2023/24 (£30.25m) 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 £9.2m by the end of the 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:

Appendix A - Building Projects Tracker

Appendix B – Integrated Impact Assessment

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

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
Council Housing Maintenance and Improvements and Housing IT Business Software 2022/2023 22 nd March 2022	Council Housing Maintenance Improvements IT Business Software 20222023.pdf (portsmouth.gov.uk)
Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2022/23 27 th October 2022	Interim report on Progress of Council Housing Maintenance and Improvements Programme 20222023.pdf (portsmouth.gov.uk)
Council Housing Maintenance and Improvements and Housing IT Business Software 2023/2024	Report - Council Housing Maintenance and Improvement and Housing IT Software 2023-2024 02.03.23 002.pdf (portsmouth.gov.uk)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by

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Signed by:

Appendix A - Building Projects Tracker

Project	Status	2023/24 Current Budget	In year spend to date
Soberton Road - Fire Upgrade Works	Complete	£300,000	£196,000
External Repair - BSF Cladding Section 1	Complete	£200,000	£102,000
Decoration - London Road (521-543)	Complete	£30,000	£30,000
Fire Doors - Hale Court	On site	£150,000	£145,000
Decoration - Wimpey Courts Lift Towers 2019	On site	£1,500,000	£790,000
Decoration - The Quad - Petersfield, Denmead, Horndean, Bedhampton, Southwick & Clanfield House	On site	£1,300,000	£135,000
External Repair - Avocet House	On site	£70,000	£115,000
Decorations - Acquired Houses - Somerstown Area 1	On site	£400,000	£30,000
Decorations - Acquired Houses - Buckland Area 1	On site	£300,000	£235,000
Roofing - Hawthorn Crescent Ph1	On site	£600,000	£235,000
Refurbishment - Viking and Shootpool	On site	£475,000	£215,000
Warden Call / Lift Upgrades - Ladywood House	On site	£750,000	£115,000
External Refurbishment - West Leigh Site Ph2	On site	£1,500,000	£435,000
External Repair - BSF Cladding Section 2	Tender	£800,000	
Environmental - Portsea Bins	Tender	£550,000	
Environmental - Almondsbury Road Bins Phase 1	Evaluation	£70,000	
Fire Safety - Handsworth House	Evaluation	£1,600,000	
28 project voids		£1,800,000	£1,570,000
Total		£12,395,000	£4,348,000