

Title of meeting: Cabinet Member for Housing and Tackling Homelessness

Date of meeting: 20th March 2024

Subject: Council Housing Maintenance and Improvements and Non-Dwelling Capital 2024/2025

Report by: Adam Hardwick - Assistant Director Building Services
Alan Denford - Finance Manager (HNB)
Merrick Trevaskis - IT Business Partner (Housing IT Capital Element)

Wards affected: All

Key decision: Yes - Over £250,000

Full Council decision: No

1. Purpose of Report

- 1.1 The Council Housing Repairs & Maintenance Revenue Budget for 2024/2025 was approved within the *Council Housing Budget (including rents) 2024/2025* at the Housing and Tackling Homelessness Cabinet Decision meeting on 26th January 2024.
- 1.2 The Council Housing Repairs & Maintenance Capital Budget (Major Repairs Dwellings) for 2024/2025 was approved within the *Portsmouth City Council - Budget & Council Tax 2024/25 and Medium-Term Budget Forecast 2025/26 to 2027/28* by the City Council on 13th February 2024.
- 1.3 The purpose of this report is to inform Members of the spending proposed for the financial year 2024/25 for revenue and capital funded maintenance and improvement programmes for the City Council's retained housing stock together with the HRA Assets (Non-Dwelling) capital scheme (including Housing IT Business Software) and to seek approval to incur expenditure in respect of the capital schemes and rolling programmes.
- 1.4 The report will also update the Cabinet Member on the year end position on the delivery of the 2023/24 Repairs & Maintenance programmes, the forecast spend against the approved budget and to highlight any future issues.

2. Recommendations

- 2.1 The Cabinet Member notes the allocation of finance for the funding of the Revenue Budgets for repairs and maintenance of dwellings listed in Appendix A.

2.2 The Cabinet Member approves the allocation of capital budgets listed in Appendix B and Appendix C for 2024/2025, 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 The Cabinet Member notes the year end position and progress of the 2023/24 Repairs and Maintenance budget plan and capital spend.

2.4 The Cabinet Member requests that a mid-year report is brought to provide an update as to in year revenue expenditure and progress of the HRA capital programme.

3. Background

3.1 The Council Housing Maintenance and Improvement Budget 2024/2025 outlines all of the programmed capital and revenue, maintenance, and improvement expenditure to the housing stock.

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 Budget - Repair and Maintenance of Dwellings Budget

4.1 A total of £30,465,000 has been allocated to Revenue expenditure. This figure includes a 5% uplift from the 2023/24 budget and an additional allocation of £429,000 to reflect predicted expenditure associated with the Clarion stock acquisition.

4.2 The allocation of Revenue expenditure is detailed in Appendix A with new budget lines being included to allow for allocation of a specific budget for repairs to the acquired Clarion stock, a defined budget for works in relation to damp and mould and a new budget line to allow for servicing and maintenance in relation to PV panels installed to HRA stock.

5. Capital Budgets - Various Schemes

5.1 A total of £28,541,00 has been allocated to Capital Expenditure within the Major Repairs Allowance including a £317,000 allowance to reflect additional expenditure associated with the Clarion stock acquisition.

5.2 The allocation of Capital expenditure is detailed in Appendix B. Whilst the total planned Capital expenditure for 2024/25 totals £30,572,000, this is funded through a carry forward of budget from 2023/24 as detailed in section 8.3.

5.3 There are number of large projects with continued cross year spend, with the addition of key work areas including the allocation of £4.3m towards Building Safety in relation to work borne from the requirements of the Building Safety Act

2022. Funding has also been allocated to Decarbonisation Works linked to a Social Housing Decarbonisation Fund bid to undertake fabric improvements to non-traditional construction houses. Significant funding has also been allocated to the continuation of the roll out of Warden Call upgrades to Sheltered Housing Schemes, changing the functionality of systems from analogue to digital.

- 5.4 A summary of the proposed expenditure on the HRA Assets (Non-Dwelling) capital scheme (including Housing IT capital investment) is shown in Appendix C for 2024/2025. Total expenditure of up to £890,000 is recommended. Funding will come from HRA Revenue Contributions (£360,000), Corporate Resources (£30,000 contribution to the Adventure Playground Equipment scheme) and external contributions (£500,000 grant from BAE for the Stamshaw Youth Hub).

6. Summary of 2023/24 Expenditure

6.1 Revenue Maintenance

- 6.1.1 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

- 6.1.2 For the financial year 2023/24 from 1st April 2023, 52,990 response repairs have been completed as of 7th February 2024.

- 6.1.3 Works have been completed to voids to allow 869 new tenancies to start. Service Provider capacity has improved, to meet demand and address historical void backlogs.

- 6.1.4 Key compliance activities undertaken from 1st April 2023 to 7th February 2024 include;

- 12,637 Gas safety checks
- 1,557 Electrical installation condition reports
- 276 Fire Risk Assessments / Fire Risk Assessment reviews

- 6.1.5 Total revenue expenditure for the financial year 2023/24 is expected to be within budget. This is a significant improvement from the position reported in October 2023 where a £1m overspend was anticipated.

- 6.1.6 Key factors that have supported the reduction in spend include;

- Easing of material cost increases
- More directly employed labour by Term Service Providers reducing the need to sub-contract work
- Increased inspection of repairs and voids by PCC Surveyors to ensure that works are defined and within the scope of service to undertake the right repair at the right time.

6.2 Capital Expenditure

6.2.1 Within the Council Housing Maintenance and Improvements budget for 2023/24, a £30.39m programme of works was outlined against a budget contribution to the Major Repairs Allowance of £26.5m. Full expenditure of the programme would have resulted in a £3.89m draw from the Major Repairs Reserve.

6.2.2 This budget was allocated against the following areas, along with a provision of £1.5m for associated fees;

- 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

6.2.3 As of 7th February 2024, the following Response Capital installations had been completed;

- 302 Kitchens
- 416 Baths
- 520 Over bath showers
- 430 Boilers
- 228 Disabled Facilities Grant (DFG) installations

6.2.4 As of 7th February 2024, 19 Building Capital Projects have been worked on, broken down as follows;

- 8 projects completed
- 7 projects on site
- 4 projects at the tender or mobilisation stage

6.2.5 The total predicted capital spend for 2023/24 is estimated to be at most £26.5m, meaning that an in-year draw on reserves will not be necessary for 2023/24 with any resultant underspend carried forward into the Major Repairs Reserve.

6.2.6 Whilst the in-year capital position has improved significantly due to the reset of the Capital Programme in October 2023 and project slippage as is detailed in section 8, the resultant underspend is allocated to schemes in 2024/25 and does not mitigate the significant maintenance demands on the horizon.

7. Industry Forecast

7.1 The Building Cost Information Service (BCIS) Quarterly Briefing for December 2023 indicates stagnation in the construction industry, however, at this point a recession has not materialised.

- 7.2 Previous issues in relation to material shortages and cost increases have eased, with generally the supply of most materials readily available and associated costs predicted to fall slightly by 0.8% in Q4 of 2023. It should be noted that despite the current easing of material prices, there were significant cost rises between Q4 2020 and Q2 2023 resulting in base prices being significantly higher than might have been otherwise.
- 7.3 As reported in October 2023, the key driver for cost increases remains wage growth borne from inflation and a skills shortage in the construction industry. Annual growth from the BCIS Labour Cost Index is forecast at 6.9% in Q4 2023.
- 7.4 Annual growth in tender prices followed a downward trend in 2023, falling from an 8.6% increase in 1Q2023 to 3.5% in 4Q2023 on the same period in 2022. It is predicted that growth in tender prices will ease to a 2.1% increase in 4Q2024.
- 7.5 Feedback from PCC Term Services Providers, is generally in line with the industry forecast. They report that material supply and material cost pressures are easing however still face challenges around wage increases necessary to ensure the recruitment and retention of staff. It is anticipated that increases in the region 6%-7% will be necessary to remain competitive in the market.

8. Future Budget Pressures and Mitigation Measures

- 8.1 In the Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2023/2024 that was presented in October 2023, in year budget pressures were outlined with a predicted overspend on the Revenue budget of £1m and a predicted £3.69m draw on the Major Repairs Reserve.
- 8.2 Subsequent to the October report a significant amount of work has been undertaken to reduce in year pressures and prevent draw on reserves, this has improved the in-year forecast resulting in predicted Revenue being within budget.
- 8.3 Capital expenditure is estimated to underspend by c.£2m, however, this is largely due to the reset of the Capital Programme as agreed in October 2023 and slippage to some projects that will see their expenditure move to 2024/25 resulting in a higher than budgeted spend for 2024/25.
- 8.4 Whilst there is increased control of both Revenue and Capital expenditure to better align expenditure to available budgets, due to an aging housing stock and significant increased regulation through the Building Safety Act 2022 and Social Housing (Regulation) Act 2023, maintenance demand continues to increase.
- 8.5 Whilst Repairs and Maintenance is currently undertaken via a demand led service, it will be increasingly necessary to prioritise and target works to meet statutory requirements and undertake repairs with the greatest need. There is potential that a review of the scope of the repairs service will be necessary to ensure a balanced budget.

8.6 In addition to usual maintenance demands there are a number of high value work streams that need to be built into the current and future years programme, these include;

- **Building Safety Case Work** - Building Safety Case are currently being prepared for 22no. high rise (18m+) blocks of flats. The work involves a review of the fire safety provisions to each block alongside extensive investigation, introducing a requirement to undertaken more intrusive investigations. This alongside increased regulation means that the Safety Cases are likely to generate a need for significant capital investment to a number of blocks. Funding for this has increase in the 2024/25 to £4.3m however it is likely that further increases will be needed in subsequent years.
- **Charles Dickens Heat Network** - this provides heating and hot water to 538 homes and has reached the end of its serviceable life. An allowance has been made in the proposed 2024/25 budget to commence initial project design work, however, the overall project value is likely to be in the region of £6m. Whilst it is anticipated that access to grant funding will be available, the project will still require a significant contribution from the HRA.
- **Asset Management Strategy** - Work is underway to renew the existing HRA Asset Management Strategy so that the Repairs and Maintenance service responses to the challenges of an aging housing stock and additional legislative requirements ensuring a long-term economically sustainable position for the HRA. Early work has included increasing the level of stock condition surveys undertaken, that will inform maintenance programmes. It is vital that the capital budget is managed to allow substantial funding to resource future schemes.

8.7 In summary, whilst the reset of the Capital Programme in October 2023 and increased inspection of response repairs to ensure the right repair at the right time have mitigated in-year financial pressures, there still exists significant financial pressures on the HRA Revenue and Capital budgets that may necessitate changes to service provision through the Asset Management Strategy to meet essential maintenance demands.

9. Resident consultation and engagement

9.1 Where demand for a capital project is identified the PCC Project Manager will develop a suitable consultation and engagement strategy for the specific project tailored to resident and project needs.

9.2 Where works are likely to significantly impact residents' early engagement with them will be undertaken. This can be undertaken through a variety of methods including holding open day events, attending resident meetings, one to one engagement as well as communicating with letters and newsletters.

9.3 The purpose of the consultation and engagement is to take on board the views of residents regarding the proposed works, offer them choice around the works where appropriate and take on board feedback so that measures can be put in place to minimise the impact of the works on them.

- 9.4 Prior to works commencing the Project Manager and contractor will write to residents, providing details of the works and key contacts. Ongoing communication will be tailored to the needs of each project, and may include monthly newsletters, resident events or one to one consultation.
- 9.5 Examples of recent consultation and engagement include;
- **Building Safety Cases** - for each block resident engagement events are held to understand how residents wish to be engaged with and the level of information they wish to receive. This has allowed for a resident engagement strategy to be developed that will be used for when undertaking any project work arising from the Safety Cases.
 - **Handsworth House Sprinklers** - due to the nature of works impacting residents inside their home, engagement events in conjunction with Hampshire and Isle Wight Fire and Rescue Service were arranged early in the evaluation stage of the project, including the undertaking of a pilot flat to show residents how the installation of the system would impact their home whilst also advising them of the benefits and answering any questions around the works.
- 9.6 Upon completion of projects, further engagement is undertaken with residents to gather feedback on the project so that any learning can be taken on board to improve future schemes.
- 9.7 It is planned that the allocated of revenue and capital budgets will be presented at future meetings to both the Residents Consortium and Resident Repairs Working Group.

10. Integrated impact assessment (IIA)

- 10.1 An Integrated Impact Assessment is contained in Appendix D.

11. Legal implications

- 11.1 There are no legal implications to add to this report.

12. Director of Finance's comments

- 12.1 The Housing Revenue Account budget for 2024/25 approved on the 26th January 2024, contained a revenue provision of £30.465m to fund the works set out in Appendix A.
- 12.2 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.

12.3 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. A total of £28.541m has been allocated to Capital Expenditure within the Major Repairs Allowance. Whilst the total planned capital expenditure for 2024/25 in Appendix B totals £30.572m, this is in part funded through the anticipated carry forward of budget from 2023/24 of circa £2m as detailed in section 8.3.

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

Appendices:

Budget Plan 2024/25 - Appendices A-C

- Appendix A - Council House Maintenance and Improvements - Revenue Budget
- Appendix B - Council House Maintenance and Improvements - Capital Programme
- Appendix C - HRA Assets (Non-Dwelling) Capital Programme

Appendix D - Integrated Impact Assessment (IIA)

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
<i>Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28</i> 13 th February 2024	(Public Pack)Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28 Agenda Supplement for Full Council, 13/02/2024 14:00
<i>Council Housing Budget 2023/24 (including rent setting)</i> 2 nd February 2023	Council Housing Budget 2023-24 Report FINAL.pdf (portsmouth.gov.uk)
<i>Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2023/2024</i> 26 th October 2023	20230922 - Interim report on Progress of Council Housing Maintenance and Improvements Programme.pdf (portsmouth.gov.uk)



The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet member for Housing and Preventing Homelessness on 14th March 2024.

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