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(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

**Title of meeting:** Cabinet Member for Housing and Tackling Homelessness

**Date of meeting:** 16<sup>th</sup> October 2024

**Subject:** Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2024/2025

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

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

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

**Wards affected:** All

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**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 2024/25, 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.

**2. Background**

- 2.1 The Council Housing Maintenance and Improvements and Housing IT Business Software 2024/2025 budget report was presented to the Cabinet Member for Housing and Tackling Homelessness by Adam Hardwick, Assistant Director of Building Services on 20<sup>th</sup> March 2024.
- 2.2 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 highlighted some key work streams and budget pressures.
- 2.3 It was agreed that an interim report would be brought back to Housing Cabinet for information only to report of the progress of Repairs and Maintenance activities, expenditure and management of ongoing or emergent pressures.

### **3. Revenue Maintenance**

- 3.1 Within the Council Housing Maintenance and Improvements budget for 2024/25, £30.46m 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
  - Planned revenue works - external repairs and decoration to properties
- 3.2 For the financial year 2024/25 from 1<sup>st</sup> April 2024, 21,187 response repairs have been raised as of 19<sup>th</sup> September 2024.
- 3.3 The number of new tenancies where void works have been completed from 1<sup>st</sup> April 2024 to 19<sup>th</sup> September 2024 is 401 with 369 properties becoming void in year.
- 3.4 It should be noted that the number of new properties becoming void in-year is lower than previous years, with approximately a 25% reduction compared to the same period last year. This is largely attributed to the spike in voids following the easing of Covid-19 restrictions and additional voids created through the buy-back programme. It is considered that the current level of voids has returned to the pre-covid baseline.
- 3.5 Key compliance activities undertaken from 1<sup>st</sup> April 2024 to 19<sup>th</sup> September 2024 including;
- 8,951 Gas safety checks
  - 984 Electrical installation condition reports
  - 141 Fire Risk Assessments / Fire Risk Assessment reviews
  - 500 closed damp and mould case
- 3.6 Total revenue expenditure from 1<sup>st</sup> April 2024 to 19<sup>th</sup> September 2024 is c.£13.69m.

### **4. Capital Expenditure**

- 4.1 Within the Council Housing Maintenance and Improvements budget for 2024/25, £28.50m (inclusive of fees) was allocated as a revenue contribution to capital expenditure.
- 4.2 A total of £30.57m was allocated to capital works, consisting of the £28.50m budget and £2.07m of funding carried forward from 2023/24. This budget was allocated against the following areas;
- Response Capital £14.32m - for replacement of kitchens, bathrooms, heating, disabled adaptations
  - Building Capital Projects - £14.01m - capital planned maintenance schemes to

undertake major improvements to the building fabric, fire safety, legislative areas

- Engineering Capital Projects - £2.24m - capital planned maintenance schemes to undertake major improvements to engineering services including lighting improvements, electrical upgrades and lift replacement.
- Grant funding of £1.91m from the Social Housing Decarbonisation Fund and £0.25m from the Building Safety Fund has increased the approved budget to £32.73m.

4.3 As of 19<sup>th</sup> September 2024, expenditure against response capital works was c.£3.99m with works completed including the installation of;

- 110 Kitchens
- 140 Baths
- 138 Over bath showers
- 208 Boilers
- 135 DFGs completed

4.4 The number of installations to kitchens and boilers and is consistent with the previous year, however, there has been a reduction in installation to baths and over bath showers.

4.5 As of 19<sup>th</sup> September 2024, 36 Building HRA Capital Projects have been worked on, broken down as follows;

- 10 projects completed
- 9 projects on site
- 17 projects at the evaluation/tender stage

4.6 In addition 11 capital project voids have been worked on. These relate to large void refurbishments, where the pre-work estimates are in excess of £30k. They are broken down as follows;

- 4 project voids have been completed
- 3 project voids are on site
- 4 project voids are being evaluated/at tender

4.7 A full break down of these projects are included within Appendix A - Building Projects Tracker. In year expenditure against capital projects that are complete/on site is £5.42m.

4.8 In addition to Building Capital Projects, significant work has been undertaken to respond to the implementation of the Building Safety Act 2022.

4.9 The HRA Building Safety Manager is overseeing work to prepare Building Safety Case Reports for the 22 blocks of flats in scope, with two blocks having been called in by the Building Safety Regulator for a review as part of the Building Assessment Certificate process.

## **5. Summary of Expenditure**

- 5.1 Total revenue expenditure from 1<sup>st</sup> April 2024 to 19<sup>th</sup> September 2024 is c.£13.69m.
- 5.2 Revenue expenditure in 2024/25 is forecast to overspend by over £1m. This is largely due to the repairing of items that are serviceable, extending their useable life rather than undertaking replacement, however, we are seeing an increasing number of roof and windows repairs alongside increased spend on revenue fire risk assessment actions. A number of actions have been identified to limit the extent of the overspend.
- 5.3 Whilst revenue expenditure is forecast to overspend, this is offset by an underspend to response capital, where the forecast expenditure is c.£4m under the budget allocation.
- 5.4 Any resultant underspend in response capital, will be reallocated to building capital projects to extend this funding envelope. This will specifically allow additional allocation to Social Housing Decarbonisation projects where due to complexities associated with non-traditionally constructed properties within the scheme, costs are higher than anticipated, and also allow increased funding to Building Safety remediation works.
- 5.5 Forecast expenditure for Building and M&E capital projects is anticipated to be within the £14.01m allocation however any underspend will move forward into the next financial year linked to projects that span multiple financial years.
- 5.6 It is predicted that overall capital expenditure for 2024/25 will be within the approved budget of £32.73m.

## **6. Industry Update**

- 6.1 The Building Cost Information Service (BCIS) Quarterly Briefing for September 2024 indicates that there seems to be some positivity in the industry, despite the uncertainty in the general economy with the industry waiting to see the impact of the new Government's October budget.
- 6.2 The BCIS All-In Tender Price Index increased by 0.5% in 3Q2024, resulting in annual growth of 2.1%. BCIS expects annual growth in tender prices to be 2.6% in 1Q2025 and increased market activity is likely to result in prices rising faster than costs from 2Q2025. Tender prices are forecast to rise by 20% over the five years to 3Q2029.
- 6.3 Annual growth in the BCIS Labour Cost Index is forecast to slow, reaching 6.0% in 3Q2024. Although wage growth continues to outstrip inflation, there are signs that pay rises are starting to moderate; wage agreements reached so far for 2024-25 resulted in wage increases ranging between 3% and 7%. BCIS forecasts labour costs to grow by 16% over the forecast period (3Q2024 to 3Q2029). The BCIS notes continued issues around wage growth in relation to skill shortages that are prevalent in the market, with potential to impact projects and costs.
- 6.4 The BCIS Materials Cost index is forecast to grow by 0.3% in the 12 months to

3Q2024. BCIS predicts the index will grow by 15% over the forecast period (3Q2024 to 3Q2029).

- 6.5 The BCIS General Building Cost Index is forecast to grow by 2.9% in the 12 months to Q2024. Costs are predicted to rise by 15% over the forecast period, with wage awards remaining the main driver.
- 6.6 Total new work output fell by 2.0% in 2023 compared with the previous year. The latest forecast predicts new construction output will contract in 2024 by a further 4.9% before returning to growth thereafter. Total new work output is expected to grow by 24% over the forecast period (2024-2029).
- 6.7 At a local level, cost increases are generally in line with the national picture. PCC Service Providers are reporting cost increases largely in line with inflation, and materials are generally available. Tender costs received are in line with pre-tender estimates.
- 6.8 Whilst we are seeing a stabilisation of constructions costs and are not seeing the significant rises of previous years, we are not seeing a fall in costs, with previous rises now baked in. The impact is that within the existing funding envelope the resultant output of maintenance work that can be undertaken is lower than would have been previously.

## **7. Future Budget Pressures and Mitigation Measures**

- 7.1 We are managing in-year budgets so that overall expenditure is within the available budget allocation, however, there continues to be ongoing pressure due to increased demand linked to an aging stock and ensuring compliance with new legislation of the Social Housing (Regulation) Act and the Building Safety Act.
- 7.2 Whilst we are continuing to manage and mitigate risk to residents around fire safety actions, it is evident that there is a significant number of fire remediation actions being generated from the work around Building Safety that will require an increase in capital expenditure.
- 7.3 We are currently reviewing actions to prioritise them based upon risk with the aim to produce a costed, Fire Remediation Capital Programme. Where necessary we are ensuring that adequate interim measures are put in place to manage risk, that these are communicated to residents, and we will actively respond to any queries or concerns raised.
- 7.4 Whilst we are awaiting a government review of Decent Homes Standards, linked to work around Social Housing Regulation and the renewal of the existing HRA Asset Management Strategy, we have significantly increased the undertaking of stock condition surveys, with the aim of undertaking a rolling 20% per year cycle.
- 7.5 Improved data around the condition of the stock, alongside demand borne from Building

Safety Cases will support the production of longer-term, costed, capital investment programmes to move more dwellings to meet with the Decent Homes Standard and address remediation required in relation to Building Safety.

- 7.6 Whilst this work is ongoing, it is evident that the totality of these programmes will be in excess of existing funding allocations, therefore changes will need to be considered to the scope of service and delivery model to rebalance funding allocation between revenue and capital expenditure, with a need to significantly increase the latter.
- 7.7 In addition, there are longer term pieces of work underway that will seek to support future budget pressures. The Repair & Maintenance and Gas Servicing & Repair contracts both expire on 31<sup>st</sup> March 2026. Both procurement exercises will be run concurrently, and an options appraisal is being undertaken to consider how to maximise savings through these contracts with options being considered around the delivery model, contract model and scope of service.
- 7.8 Any resultant savings will be reinvested into the stock with the objective of reducing revenue repair expenditure and increasing capital expenditure. A report will be brought to a Housing Cabinet decision meeting in early 2025 presenting the options appraisal and seeking a decision with regard to the delivery model.
- 7.9 A key aspect of this work will involve engagement with residents to ensure that their views are taken into account, and they are given the opportunity to shape any service changes and be fully informed as to the need for any changes. We will use various opportunities to engage with residents such as the Residents Consortium and Resident Repairs Focus Group as well as using PCC Husetalk magazine to share information and collect a wider sample of views.
- 7.10 To help mitigate immediate financial pressures, particularly in relation to capital projects, we continue to review where external funding for schemes may be available and will pursue applications for funding where eligible.
- 7.11 Below is a summary of funding secured or applied for in 2024/25.
- **Social Housing Decarbonisation Fund - £1.91m**
    - Funding secured to be spent over 2024/25 and 2025/26 to install retrofit measures to HRA stock to improve Energy Performance Certificate ratings to grade C.
  - **Local Nutrient Mitigation Fund - £90k**
    - This funding has been granted to facilitate the installation of water efficiency measures to HRA stock.
  - **Building Safety Fund - £568k**
    - This funding has been secured from the Government's Building Safety Fund to



cover replacement cladding to 3 blocks of flats. The works at Sarah Robinson House and Handsworth House are complete and we have received final payment of £251k this year, in addition to the £475k of initial funding, with a further £317k of funding anticipated for Ladywood House.

o **Waking Watch Remediation Fund - £358k**

- This funding has been secured from the Government's Waking Watch Remediation Fund to cover the cost of installation of fire alarm evacuation systems to 4 blocks of flats where combustible cladding has been identified to facilitate the removal of a waking watch to each block.

o **Cladding Safety Scheme - £121k up to c.£4m**

- This funding has been secured from the Government's Cladding Safety Scheme to cover the cost of replacing combustible cladding to 4 blocks of flats. We have received £121k of funding to date and confirmation of eligibility for additional funding to cover the cover of remediation works and are awaiting determination of this that could total c.£4m.

o **Heat Network Efficiency Scheme - up to £3.88m**

- We have submitted a funding application to access up to £3.88m of funding towards upgrades to the Charles Dickens Heat Network and are currently awaiting determination of it.

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

**Appendices:**

Appendix A - Building Projects Tracker

**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 Non-Dwelling Capital 2024/2025 20 <sup>th</sup> March 2024	<a href="#">Issue - items at meetings - Annual HRA Maintenance Portsmouth City Council</a>

Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2023/2024 26 <sup>th</sup> October 2023	<a href="#">Issue - items at meetings - Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2023/2024 Portsmouth City Council</a>
Council Housing Maintenance and Improvements and Housing IT Business Software 2023/2024 23 <sup>rd</sup> March 2023	<a href="#">Issue - items at meetings - Council Housing Maintenance and Improvement and Housing IT Business Software 2023/2024 Portsmouth City Council</a>
Interim Report on Progress of Council Housing Maintenance and Improvements Programme 2022/23 27 <sup>th</sup> October 2022	<a href="#">Interim report on Progress of Council Housing Maintenance and Improvements Programme 20222023.pdf (portsmouth.gov.uk)</a>
Council Housing Maintenance and Improvements and Housing IT Business Software 2022/2023 22 <sup>nd</sup> March 2022	<a href="#">Council Housing Maintenance Improvements IT Business Software 20222023.pdf (portsmouth.gov.uk)</a>

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

### Appendix A - Building Projects Tracker

Project	Status	2024/25 Budget	In year spend to date
<b>HRA Building Capital Projects</b>			
Replacement External Panels	Complete	£90,000	£192,000
West Leigh - Window Replacement	On Site	£575,000	£238,000
Almondsbury Road - Waste Collection Improvements	On Site	£200,000	£68,000
Hawthorn Crescent - External Refurbishment inc replace roof	On Site	£650,000	£226,000
Social Housing Decarbonisation Fund Works	On Site	£1,500,000	£244,000
Horndean House/The Quad - External Improvements	On Site	£1,600,000	£1,130,000
The Landport Courts - Major External Improvements	On Site	£1,100,000	£807,000
Handsworth House Sprinkler Installation	Mobilisation	£1,100,000	£3,000
Buckland Area - Waste Collection Improvements	Evaluation	£750,000	£5,500
Individual Property Refurbishments	N/A Various Projects	£600,000	£455,000



Projects Voids	N/A Various Projects	£900,000	£181,000
Disabled Adaption (Major Works)	N/A Various Projects	£250,000	£116,000
Building Safety Case Work	N/A Various Projects	£4,300,000	£900,000
Development Preliminary Design Work	N/A Various Projects	£400,000	£280,000
<b>Total</b>		<b>£14,015,000</b>	<b>£4,845,500</b>
<b>HRA Engineering Capital Schemes</b>			
Lighting Improvements	N/A Various Projects	£200,000	£0
Passenger Lift Installations & Refurbishments	N/A Various Projects	£500,000	£20,000
Mechanical & Electrical Main & Secondary Distribution	N/A Various Projects	£20,000	£0
Mechanical & Electrical BMS & Boiler Upgrade	N/A Various Projects	£80,000	£0
Warden Control System Upgrade Phase Two	On site	£1,100,000	£399,000
Warden Control System Upgrade Phase Three	Evaluation	£180,000	£20,000
Ladywood House - Warden Call and Lift Upgrades	On Site	£60,000	£49,000
Charles Dickens Heat Network - Preliminary Design Work	Evaluation	£100,000	£9,000
<b>Total</b>		<b>£2,240,000</b>	<b>£497,000</b>