 Executive 30th August 2018		Agenda Item No. 3
Title		Stock Condition Survey
For further information about this report please contact		Lisa Barker, Head of Housing Services Tel: 01926 456043 e-mail: lisa.barker@warwickdc.gov.uk Andrew Rollins, Principal Accountant Tel : 01926 456803 Andrew.rollins@warwickdc.gov.uk
Wards of the District directly affected		All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?		No
Date and meeting when issue was last considered and relevant minute number		N/A
Background Papers		Housing Revenue Account (HRA) Base Budget Report 2018/19, 29 th November 2017 Stock Condition Survey report to Overview and Scrutiny 24 th July 2018 and Finance and Audit 24 th July 2018
Contrary to the policy framework:		No
Contrary to the budgetary framework:		No
Key Decision?		No
Included within the Forward Plan? (If yes include reference number)		952
Equality Impact Assessment Undertaken		No
The initiative is designed to ensure that tenants live in good quality housing stock with a good standard of thermal capacity to help reduce fuel poverty.		
Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	08.08.18	Bill Hunt
Head of Service	09.08.18	Lisa Barker
CMT	.18	Chris Elliott
Section 151 Officer	09.08.18	Mike Snow
Monitoring Officer	.18	Andrew Jones
Finance	08.08.18	Andrew Rollins
Portfolio Holder(s)	10.08.18	Cllr Phillips – Housing & Property
Consultation & Community Engagement		
The proposals have not been the subject of discussion. Instead, recommendations are based upon a physical survey of each of the Council's housing properties.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report presents to Members a proposed update to the Housing Investment Programme (HIP) as a result of the Stock Condition Survey, to enable building components that are considered to be in a less than satisfactory condition to be renewed by March 2020, and sets out the financial implications of undertaking the proposed works and improvements.
- 1.2 It provides details on each component of the survey including both the condition and the age of each element, details of the energy performance of the stock and the proposals for making improvements.
- 1.3 The report is a follow-up to the presentation of the findings of the Stock Condition Survey and the proposals to address them, made to a Joint Scrutiny meeting on 24th July 2018.

2. Recommendations

- 2.1 That Executive approves the principle of continuing to meet the Decent Homes Standard and completing work to remedy those building components identified in the stock condition survey as being in a very poor or poor condition by March 2020.
- 2.2 That Executive agrees to recommend to Council approval of an updated Housing Investment Programme providing £3,113,700 plus 5% contingency of additional funding being provided during the period up to 31 March 2020, summarised below with further details set out at Appendix 1.

Priority	Current HIP Budget 2018/2020	Proposed Expenditure 2018/2020	Additional Funding Requirement
Roof coverings	£295,400	£1,750,200	£1,454,800
Windows / Doors	£746,800	£1,217,800	£471,000
Kitchens / Bathrooms	£1,616,200	£2,238,500,00	£622,300
Thermal Improvement	£282,600	£848,200	£565,600
Total	£2,941,000	£6,054,700	£3,113,700
Contingency			£155,685
Grand Total			£3,269,385

- 2.3 Subject to approval of 2.2, that Executive agrees to recommend to Council that the additional funding is financed from the Major Repairs Reserve as shown at Appendix 2, with the use of the further 5% contingency subject to the agreement of the Heads of Housing and Finance, in consultation with the respective portfolio holders.
- 2.4 That Executive notes that the Housing and Property Services Portfolio Holder committed at Council in April 2018, to ensure all Council homes are to be improved such that they achieve an EPC rating of at least D wherever possible. Funding for this can be delivered within the revised HIP (subject to the agreement of 2.2 and appendix 1) and existing HRA revenue budgets
- 2.5 That Executive notes that a further report will be presented at a later date to the Executive which considers in more detail the desired approach to properties

that are in satisfactory condition but are over their cyclical date and to examine the possibility of meeting an EPC rating of “C”.

- 2.6 That Executive notes that the budgets for works funded through the Housing Revenue Account (HRA) do not require adjustment as there is sufficient budget availability for this to be incorporated into existing programmes of work.

3. **Reasons for the Recommendations**

- 3.1 A stock condition survey was undertaken across all the Council’s housing stock in 2016/17 supplemented by subsequent specialist surveys (e.g. for lifts). This identified the condition of a range of building components enabling a targeted, data and intelligence led approach to be formulated for future improvement work programmes. Whilst the majority of the features of the stock are of a good standard, some of the attributes on properties are not of a satisfactory standard and are in need of renewal.
- 3.2 The process has enabled consideration of the thermal capacity of the stock and for the energy performance of properties to be reviewed.
- 3.3 Each year a Housing Investment Programme (HIP) is set, outlining the budget and funding requirements for these works to be undertaken. The stock condition survey enables more accurate budget setting to assist with maintaining the stock to a decent standard.
- 3.4 HIP budgets have been reviewed in light of the proposed works and improvements to deal with the very poor and poor attributes first. Further detail relating to the condition and age of attributes can be found in section 8. Analysis of the costs of dealing with the very poor and poor attributes has determined that some additional budget allocation is required in order to undertake the works within the desired timeframe.

4. **Policy Framework**

Fit for the Future (FFF)

- 4.1 The Council’s FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council’s Key projects.
- 4.2 The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all	<u>Intended outcomes:</u> Area has well looked after public spaces	<u>Intended outcomes:</u> Dynamic and diverse local economy

met Impressive cultural and sports activities Cohesive and active communities	All communities have access to decent open space Improved air quality Low levels of crime and ASB	Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Impacts of Proposal		
Supporting the delivery of improvements to Council homes will ensure that homes are of good standard and contribute to its tenants enjoying good health.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
The project could give rise to significant opportunities for Council staff to enhance skills around communication, planning and negotiation	Services will be improved by ensuring that the housing product offered is of a good standard.	The proposals will enable income to be maximized as our properties will be more desirable.

4.3 Supporting Strategies

- Each strand of the FFF Strategy has several supporting strategies and the relevant ones for this proposal are explained here.
- The HRA Business Plan contributes to the Fit for the Future change programme and assists the Council to deliver its Vision
- The Council, as a stock-holding authority, has specific responsibilities towards its own tenants and leaseholders and in respect of the maintenance and the safety compliance of the housing assets it owns.
- The Housing Revenue Account (HRA) budget and the HRA Business Plan are the financial expressions of the Council's housing policies.

Changes to Existing Policies

- 4.7 There is nothing in this report which seeks to change existing Council policies. It does however set out how existing actions can be enhanced using the data and intelligence from the Stock Condition Survey to better target work.

Impact Assessments

- 4.8 An impact assessment has not been completed because the proposals provide for a good standard of product to residents and also to offer to households registered with Homechoice.

5. Budgetary Framework

- 5.1 HRA Housing Stock is maintained and improved through the use of two funding streams.

Revenue repairs and maintenance, an expense to the HRA, are funded through the HRA from income generated from housing rents and service charges.

Capital improvements to the HRA housing stock are managed through the HRA HIP. This is funded from the Major Repairs Reserve (MRR). The MRR is topped up annually by a sum that is equivalent to the level of annual depreciation across the HRA stock, which is charged directly to the HRA as an expense. Legislation dictates that this is ring-fenced, so as to ensure that Local Authorities make a suitable provision each year so that Housing Stock is maintained to a decent standard.

- 5.2 Balances on the MRR have been growing as the condition of the HRA stock, as re-affirmed by the outcomes of the latest Stock Condition Survey, is generally good and the level of expenditure on capital improvements through the Housing Investment Programme, is lower than the annual level of depreciation, as was highlighted by some members of the Finance & Audit Scrutiny Committee earlier this year. Appendices 1 and 2 show the Housing Investment Programme and financing with the inclusion of the £3,113,700 proposed additional expenditure. The 5% contingency (£155,685) would be in addition to these figures, and held within the MRR.
- 5.3 The budget that was set for the HIP 2018/19 and 2019/20 in November 2017 for improvement works is not sufficient to enable all features that are either in very poor or poor condition to be replaced by 2020. There is sufficient resource within the MRR to allow for this budget amendment.
- 5.4 The budget for the HRA was set in November 2017 and is sufficient to enable revenue repairs and maintenance necessary to complete the works outlined by the stock condition survey.
- 5.5 The table below sets out the cost requirement to replace the attributes assessed as being very poor or poor.

Priority	Funding requirement Very Poor Condition	Funding requirement Poor Condition
Roof coverings	£45,121	£670,954
Facia Soffit Gutters	£49,386	£339,974
Block Communal Area Decorating	£2,621	£9,610
Windows	£12,250	£196,500
Exterior Doors	£78,500	£571,500
Doors in L/M Rise Flats	£7,800	£142,500
Bathrooms	£73,820	£694,374
Kitchens	£249,811	£1,220,506
Loft Insulation	£3,646	£142,921
Smoke Detection	£25,920	£46,560
Programme Preliminary Costs	£228,902 / year	
Roofing Prelim/Scaffold	£29,879 to £104,879	£274,046 to £1,219,046
Total	£807,656 - £882,656	£4,538,347 - £5,483,347

5.6 Works to High Rise tower blocks

The additional costs for carrying out required works at the council's high rise blocks are shown below.

	CONCRETE REPAIRS	ROOF REPAIRS	Block Total
Ashton Court	£4,043	Nil	£4,043
Southorn Court	£4,043	Nil	£4,043
Eden Court	£33,149	£106,376	£139,525
Radcliffe Gardens	£1,155	Nil	£1,155
Westbrook House	£15,084	Nil	£15,084
Stamford Gardens	£20,039	£113,768	£133,807
Christine Ledger Square	Nil	Nil	Nil
Works Total	£77,512	£220,143	£297,657

5.7 Passenger Lifts

The contract value for the housing stock is £24,575 per annum.

The following are additional costs identified in the Stock Condition Survey carried out by Elevate Lift Consulting to improve Health and Safety, compliance or full refurbishment works.

Count of Lifts	H&S Works	SAFed Tests	2018	2019
25	£95,000	£21,000	£2,500	£23,000

5.8 Energy Performance Certificates (EPC)

The cost of obtaining a new EPC for each of the 3,724 properties is calculated as a maximum of £253,200 however it will be possible to reduce this through economies of scale and accessing the national register.

Costs of bringing all 93 properties currently with an EPC standard of E or less is £225,000 and to bring as many properties as possible to a D standard is estimated at £701,650.

6. Risks

- 6.1 The risks associated with this report relate to not undertaking the work to remedy attributes that are classed as poor or very poor as this will affect the value of the asset, its thermal capacity and the experience of our tenants who live in the property.
- 6.2 The timeline to complete these works is challenging and there is a risk that the commissioned companies will not have the capacity to deliver the work. Discussions have been held with our commissioned providers to facilitate the improvements taking place within the desired timeframe.
- 6.3 There are risks associated with undertaking the work itself however, the companies involved all have robust risk management systems in place.

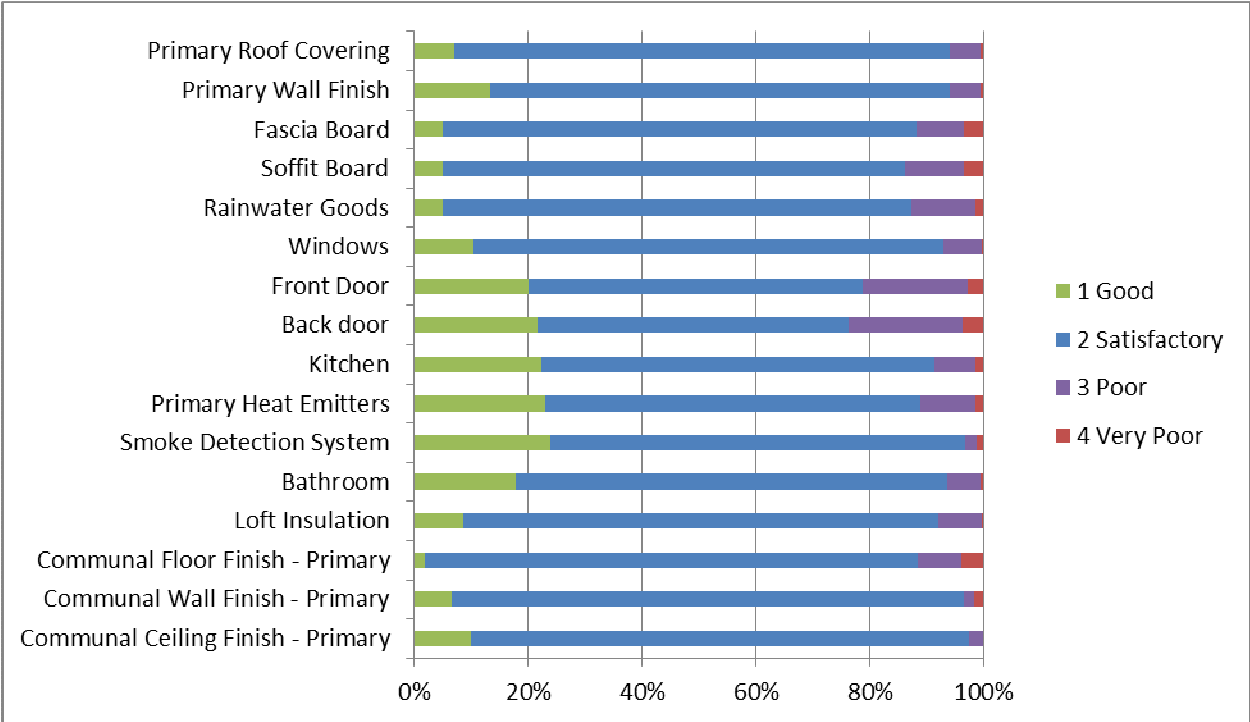
7. Alternative Option(s) considered

- 7.1 The Council could decide not to undertake the works however; this would impact on the value of the property and could in some instances, for example roofs, lead to more costly works being required over time.
- 7.2 The Council could decide only to renew attributes that are considered to be in a very poor condition however, this would not achieve the standard of property condition that is desired.
- 7.3 There are reputational risks for the council in not proceeding with the works to address features that are in a poor or very poor condition. Tenants could lose faith in the Council as a decent landlord and could raise concerns through the press or with the Housing Regulator.

8. Background

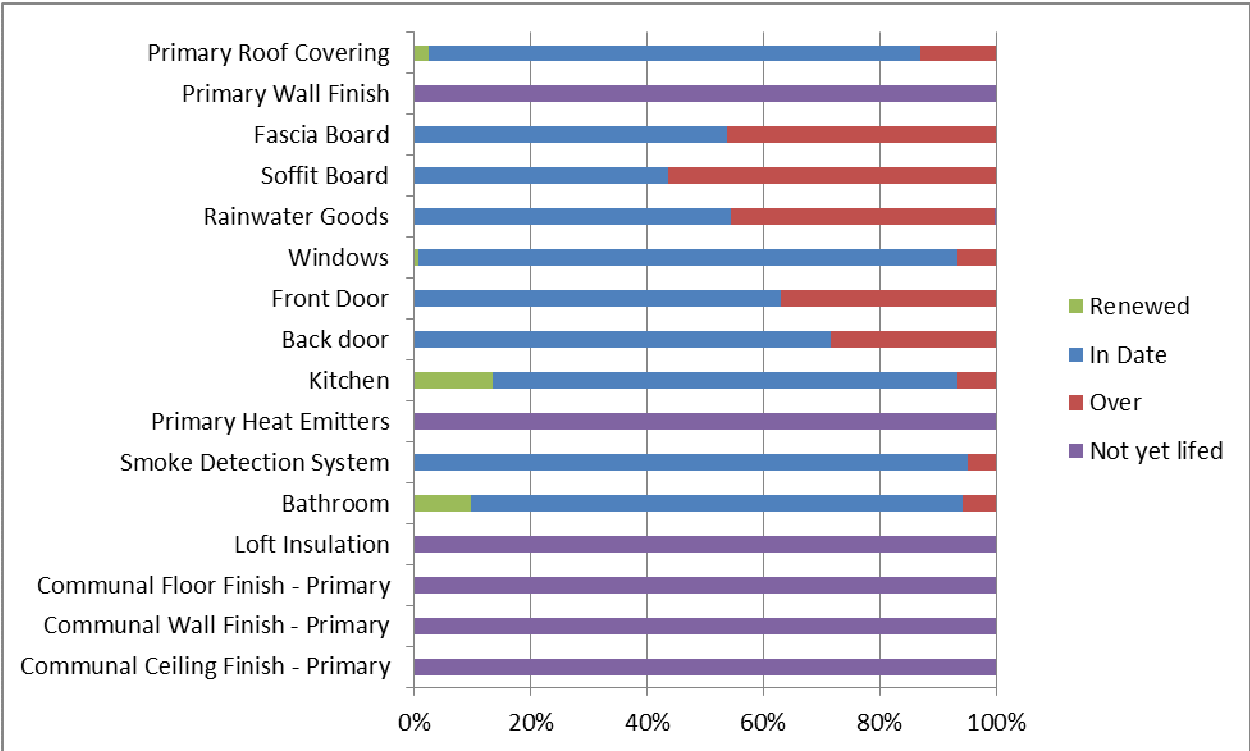
- 8.1 The Stock Condition Survey considered 16 features of each building, assessing their condition and the age against life expectancy for each attribute and these are shown at tables 1 and 2 below.

Table 1 *Representing the overall **Condition** of key attributes:*



8.2 It can be seen that the vast majority of attributes are of a satisfactory or good standard. This is a positive outcome meaning that the majority of our residents live in a property that is maintained to a good standard. Overall front and back doors have the highest numbers that are of poor or very poor condition.

Table 2 *Representing the **Age** of key attributes against life expectancy:*



8.3 It can be seen that a greater number of attributes feature when we consider the age of the attribute against the manufacturers stated life expectancy. Even though the attribute is older than the life expectancy date, the attributes are

mainly in a good or satisfactory condition and on a worst first basis can be assessed as being of lesser concern than those features that are both in poor or very poor condition and over life expectancy date.

High Rise Living

- 8.4 A separate survey has focused on our high rise schemes and has identified works that are required to the concrete of the building and to two of the roofs. This work is in addition to the fire safety works that are currently ongoing. The costs are identified at section 5.

Passenger lifts

- 8.5 WDC has a comprehensive Service & Maintenance programme in place with Stannah Lifts Ltd for all its lift stock.

We have recently undertaken a survey of our passenger lifts and have identified work to the lifts at the following blocks:

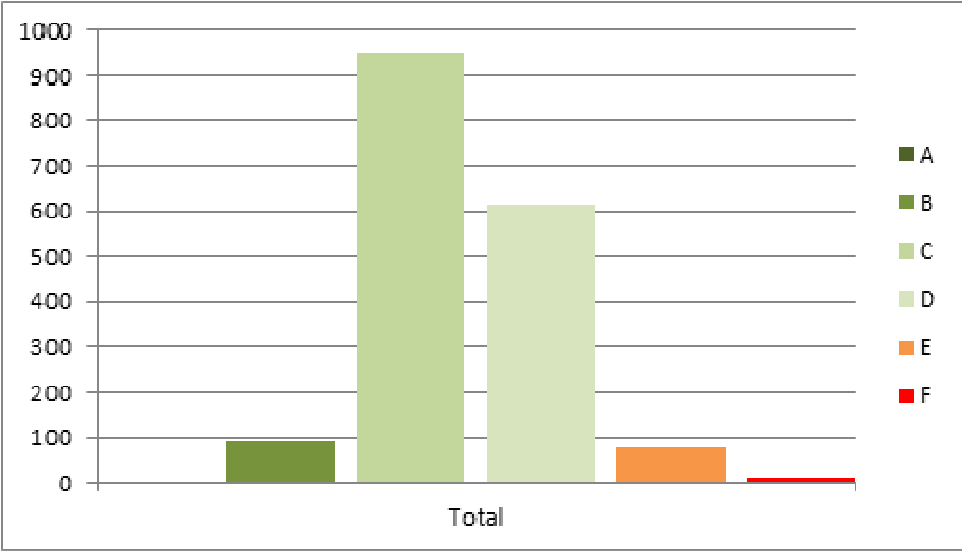
Year	Block	Recommendations	Cost
2018	Radcliffe Gardens	Suspension Ropes	£2,500
2019	Westbrook House	Door Operator replacement	£6,000
	Eden Court (Odds)	Door Operator replacement	£6,000
	Eden Court (Evens)	Door Operator replacement	£6,000
	James Court	Push Button replacement	£2,000
	Tannery Court	Hydraulic hose replacement	£3,000

Energy Performance

- 8.6 The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 came into effect from the 1st April 2018. This established a minimum level of energy efficiency for privately rented property in England and Wales. Landlords of privately rented domestic and non-domestic property in England and Wales must ensure that their properties reach at least an Energy Performance Certificate (EPC) rating of E before granting a new tenancy to a new or an existing tenant. From April 2020 all existing tenancies for domestic properties will also have to have meet a rating of E or better. It will be unlawful to rent a property which breaches the requirement for a minimum E rating, unless there is an applicable exemption.
- 8.7 There is no similar requirement for council housing. The Portfolio holder for Housing and Property Services has committed to ensuring that all Council homes exceed the same exacting standard wherever possible achieving a rating of D. Key to this is having up-to-date Energy Performance Certificates (EPC) for all properties. We currently have valid EPC ratings for approximately 30% (1,700) of our properties and we add a further 400 a year from new voids.
- 8.8 At full Council in April 2018, the Portfolio Holder announced intentions to accelerate the number of properties with an EPC rating so that all properties have a rating in the near future. The average cost of an EPC is around £68 so the maximum cost if surveys were required for all 3,724 properties would be in the region of £253,200. However, it may be possible to obtain previous EPCs for some further properties from a national register held by MHCLG, and it would be expected that the cost would reduce as we realise significant economies of scale.
- 8.9 It was also announced that any property for which we already have an EPC rated below D, is upgraded as a matter of urgency ahead of next winter.

There are 93 properties of the 1700 surveyed that are rated E or less.

Graph 5: Number of EPC's held in each rating band



The calculated cost to bring all 93 properties to standard or higher would be £225,000, an average of £2,420 per property.