

## Revised 4 Year HRA Capital Programme

<b>Council</b>	11 July 2024
<b>By</b>	Bob Porter, Director of Place
<b>Cabinet Portfolio Member</b>	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
<b>Key Decision</b>	No
<b>Decision classification</b>	unrestricted
<b>Call in status</b>	No
<b>Ward:</b>	Various

### Purpose of the Report

To present a revised 4 year Housing Revenue Account Capital Programme in order to revise the required budgets for the capital projects set out in the report and seek approval of the additional capital funding required.

This report recommends an increase in the total HRA capital programme of £26.311m for 2024/25 and of £28.432m for 2025/26. The report further recommends increases in the indicative acquisitions and development programme budget to a total of £25m in each of the two years from 2026 to 2028. Further adjustments are likely to be required to support the continued delivery of at least 400 new affordable homes as details of the individual projects are negotiated and agreed.

The additional funding includes £17.403m brought forward from 2023/24 acquisitions and development programme budget, £428k which was the remaining balance from the Margate Intervention Programme and additional budget, over two years (2024/25 and 2025/26) to support the following projects:

- £17.511m for the Tower block refurbishment project, including external wall insulation replacement, fire safety and decarbonisation works
- £523k for fire safety works and essential repairs at Royal Crescent, Ramsgate
- £400k for capital void works

The funding for these increased budgets includes an increase in the contribution to the capital programme from the Housing Revenue Account Major Repairs Reserve of £6.997m over 2 years, and an increase in the level of external grant funding from the Government's Building Safety Fund of £12.895m.

The full four year capital programme for the period from 2024 to 2028 is attached at annex 1.

### Recommendation(s):

Council is asked to:

1. Approve the revised capital programme attached at Annex 1.
2. Note that amounts included within the programme for the Acquisitions and Development programme for the three years from 2025 to 2028 are indicative at this stage, and will need to be adjusted to reflect actual approved schemes.

## **1. Summary of Reasons**

- 1.1 The Council committed to an accelerated programme of new affordable housing delivery in July 2023. The programme has set a target to deliver at least 400 new homes over 4 years. The programme has progressed at pace since 2023, with 55 new homes already acquired and occupied, with a further 161 homes in an identified delivery pipeline for 2024/25 and 2025/26. This pipeline has been approved by Cabinet, in line with the commitment made at full council on 16 July 2023. Officers continue to identify and negotiate further opportunities to deliver or exceed the 400 homes commitment.
- 1.2 The council's Housing Revenue Account Capital Programme also includes projects to invest in the long term maintenance and improvement of the council's existing stock of homes. Many of these projects have seen an increase in costs, in part as a result of the high inflation environment, in part as a result of the emergence of unforeseen works. This report seeks to address these budgetary shortfalls on specific schemes within the four year programme.
- 1.3 The 4 Year HRA Capital Programme is presented in full annex 1. Further information about the specific projects affected are set out below.
- 1.4 The tower block refurbishment project and the refurbishment of the council's blocks at Royal Crescent, Ramsgate have previously been approved by Cabinet. However, further reports will be presented to Cabinet in July 2024 for both of these projects setting out the revised scope of works and anticipated costs for both projects.

## **2. Background**

- 2.1 The Council owns approximately 3,400 tenanted and leasehold homes. All costs, investment and income for these homes is managed with the council's Housing Revenue Account, and budgets for revenue and capital works are reviewed annually.
- 2.2 The costs and income related to homes within the accelerated affordable housing programme are also contained within the ring-fenced Housing Revenue Account.
- 2.2 Royal Crescent is a building of significant heritage importance, situated in Ramsgate on the seafront. It is in need of essential structural works and passive fire works to both buildings to fulfil the council's landlord obligations to maintain properties.

- 2.3 Five of the six tower blocks in the district have been identified as high rise blocks that require the External Wall Insulation (EWI) to be remediated due to fire risk. We have been successful in obtaining 100% funding from Homes England's Building Safety Fund for this. This programme combines funding streams to achieve greater value for money. As a result this project also includes energy efficiency measures, supported by 50% funded by the Social Housing Decarbonisation Fund, and cyclical works that are 100% funded from the HRA major repairs reserve.

### **3. Royal Crescent**

- 3.1 In April 2021, cabinet approved the project to complete essential structural and fire safety works at Royal Crescent in Ramsgate. The scope of works also included discretionary works to the communal basement areas of the two buildings. At the time, the cost of the project was estimated to be £2.778m. This cost represented a total project cost, including both works and professional fees.
- 3.2 The complexity of the works, and the fact that the buildings are listed has made this project complex. In addition, an initial unsuccessful tender process has extended the project timeline significantly.
- 3.3 Following consultation with residents, and increased cost estimates, the scope of works was reduced to exclude the discretionary basement works. This reduced the project budget to £1.977m to reflect the reduced scope, and the budget was adjusted accordingly.
- 3.4 A second tender process has now been completed and the overall estimated project cost is £2.5m. The revised capital programme attached at annex 1 includes funding to proceed with this project, and a report will be presented to Cabinet in July recommending the letting of the contract.

### **4. Tower Blocks**

- 4.1 Reports were brought to cabinet in Nov 2022 and again in March 2023, asking for authority to proceed with the project to refurbish five of the council's 6 tower blocks. The scope of works for the project includes:
- Removal and replacement of external wall insulation.
  - New windows.
  - Fire safety works.
  - Retrofit energy efficiency and decarbonisation works.
  - Cyclical works.
- 4.2 The cost of the project was estimated to be £19.8 million and cabinet approved the letting of contracts to complete the project. Due to a number of reasons, the overall project cost has increased to approximately £40.34m, with £28.6m of this funded by external capital grants from the Social Housing Decarbonisation Fund and the Building Safety Fund.

- 4.3 The reasons for the increases project costs include:
- Inflation
  - Identification of additional essential fire safety works, specifically the replacement of fire doors throughout the blocks and the need to improve the fire safety of communal ventilation shafts of the five blocks.
  - Enhanced specification of the External Wall System to provide improved fire rating at the lower floors and durability.
- 4.4 The council has procured a delivery partner for the completion of this programme of works and a report will be presented to Cabinet in July 2024 to approve the revised scope of works and the letting of the works contract at the new estimated cost.

## **5. Major Void works**

- 5.1 The council lets around 160 voids each year to households who are homeless or who are registered on the housing register. At each letting necessary repair and compliance works are completed to ensure that properties are safe and in a suitable condition for letting.
- 5.2 Where the void costs for any particular property exceed £15k, the work is completed as part of the Housing Capital Programme. For 2024/25 we estimate that about 40% of all voids will fall in this category. To cover the cost of these works, this capital budget needs to be increased from £600k to £1m.

## **6. Accelerated Affordable Housing Programme**

- 6.1 Council approved this programme at its meeting on 16 July 2023, and it has been progressing at pace.
- 6.2 A total of 55 new homes have already been acquired and occupied, with a further 150 homes in an identified delivery pipeline for 2024/25 and 2025/26. These 150, include 101 homes for acquisition and 49 homes in the council's own new build programme.
- 6.3 The funding included within the four year capital programme at annex 1 totals £25.931m for the financial year 2024/25 and further indicative amounts of £25m in each of the following three years. The total cost to deliver the 205 homes detailed above is estimated at approximately £39m, representing around £193k per new dwelling, leaving capacity within the approved budget for further projects to deliver or exceed the full commitment.
- 6.4 The indicative budget of £25m will be financed by an indicative £17.5m borrowing and £7.5m of other funding which is likely to be grant funding. The funding profile will be amended in line with future Cabinet reports identifying sites for approval.

6.5 As further projects are identified, these will be presented to cabinet for approval, provided that they are financially viable, and the overall budget will be adjusted to reflect agreed projects. In the report presented to Council in July 2023 the overall cost of the 400 home programme was estimated to be around £100m across the four year programme. The programme has so far performed better financially than projected in July 2023

## **7. 2023/24 Carry forwards**

7.1 A number of programmes were underspent in 2023/24 and some of these underspends are requested to carry forward to 2024/25 and are reflected in Annex 1, including £17.403m in the combined acquisitions/development programme budget and £428k from the now completed Margate Intervention programme.

## **8. Alternative Options**

8.1 This report recommends that the HRA capital programme is adjusted as detailed in annex 1, including additional amounts for the tower block works, Royal Crescent refurbishment and major capital void works.

8.2 Council could reject these recommendations and not agree to the increased budgets for these projects, in full or in part. This option is not recommended as these projects are required to deal with essential fire safety works and structural repairs.

8.3 Any delay in the programme for the tower blocks would mean that external funding that has been secured for these projects would be put at risk. It would also not be possible to stand down the current waking watch service that is in place for these blocks, as this is a key mitigation in relation to fire safety linked to the current external wall insulation fitted to these buildings. Delays to standing down the waking watch would mean that the £658k budget factored in annually to fund the increased cost would have to continue, which would ultimately mean that the HRA continues to run at a deficit and HRA balances would be diminished as a result.

8.4 Similarly the scope of the Royal Crescent project has already been reviewed to include only essential fire safety and structural works.

## **9. Corporate Implications**

### **9.1 Finance and Resources**

9.1.1 A number of HRA Capital Programme budgets have been amended in Annex 1 primarily as a result of the budgetary pressures laid out in sections 3, 4, 5 and 6 above.

9.1.2 Budgets for Royal Crescent and Churchfields have now been split out from other budget headings such as structural to make monitoring and reporting easier.

- 9.1.2 The proposed funding of the HRA Capital Programme is also included within annex 1.
- 9.1.3 A new financial risk has arisen due to the proposed use of the Major Repairs Reserve and this is reflected in the risk section below.
- 9.1.4 The proposed use of the Major Repairs Reserve to finance the revised programme can be seen below:

<b>Major Repairs Reserve*</b>	<b>-16,219,148</b>
2024/25 Usage	13,233,000
2024/25 Contribution	-4,353,370
	<b>-7,339,518</b>
2025/26 Usage	8,458,000
2025/26 Contribution	-4,453,370
	<b>-3,334,888</b>
2026/27 Usage	6,603,000
2026/27 Contribution	-4,553,370
	<b>-1,285,258</b>
2027/28 Usage	3,708,000
2027/28 Contribution	-4,653,370
	<b>-2,230,628</b>

\*Anticipated 2023/24 Closing balance

## 9.2 Legal and Constitutional

- 9.2.1 Additional budget is required to ensure the progress of essential work to carry out essential repairs and to meet the Council's duties as a social landlord. In accordance with the provisions of the Council's Constitution, the Budget framework must be determined by Full Council and any amendments to this budget also require the consent of Full Council.

## 9.3 Council Policies and Priorities

- 9.3.1 To deliver the housing we need

## 9.4 Risk

- 9.4.1 There is a reputational risk of not carrying out these projects:

- Royal Crescent is a building of historical significance that requires structural remediation.
- The tower blocks have external wall insulation that has been identified as requiring remediation by Homes England due to fire risk.

- 9.4.2 There is a financial risk presented if Royal Crescent falls further into disrepair. Currently we have been able to provide responsive maintenance to prolong the life of elements but replacement and remediation is required.

- 9.4.3 The main risk to the increased financing of the revised capital programme is that the Major Repairs Reserve balance is estimated to drop to £1.285m at the end of 2026/27. This would mean that the Council may struggle to finance any additional

significant overspends that occur within the Capital Programme in any year from 2024/25 to 2026/27 with a reprofiling of the current programme.

9.4.4 There are mitigations to this risk however as historically there is natural underspend on the HRA Capital Programme (£830k 2023/24) which would benefit the Major Repairs Reserve balance prior to 2026/27. There is also the requirement to make additional contributions, as additional stock is added to the portfolio, which as the Council has committed to delivering 400 new homes means the likelihood of the reserve dropping to this low a level is unlikely, but a risk nevertheless.

9.4.5 There is a risk in relation to the Building Safety Funding. Homes England have given in principle approval for a 100% grant to cover the costs of the external wall insulation and already released payment of the pre-works tranche of the funding. Homes England do however still need to formally confirm agreement to the value of the works tranche of the funding.

## **9.5 Climate Change and Biodiversity**

9.5.1 The tower block project has been awarded SHDF to retrofit energy efficiency measures that ensure all properties within the project achieve an EPC C.

9.5.1 When selecting contractors for each project, we would consider the contractors commitment to net zero, for example, they may work in accordance with ISO14001 Environmental Management System in an effort to minimise negative impact of their works.

- Reducing or eliminating waste from all on site operations
- Produce zero carbon from operations and operational vehicles
- Have a positive impact on nature from operations by enhancing the natural environment where they operate

## **10. Equality, Equity and Diversity Implications**

10.1 The council's tenants and leaseholders include residents that have protected characteristics as set out in the Public Sector Equality Duty.

10.2 The completion of the works set out in this report will benefit all tenants and leaseholders, including those with protected characteristics.

## **11. Crime and Disorder Implications and Community impact**

11.1 None identified

## **Subject History**

1. Council [Report July 2023](#):
2. HRA [Capital Programme](#) as approved by Council on 8 February 2024

## **Appendices**

Annex 1: Four your Housing Revenue Account Capital Programme

## **Background Papers**

- *None*

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### **Report Sign Off**

**Legal** Ingrid Brown-Head of Legal and Democracy and Monitoring Officer

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