

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

**Housing, Environment and Economic Development Committee:
2 February 2011**

Subject: HRA Capital Planning

1. Purpose

- 1.1** The purpose of this report is to advise members of the method that will be used to deliver the HRA Capital Programme up to 2015.
- 1.2** The HRA Capital Programme 2011/12 will be the subject of a separate report to Council on 30 March 2011.

2. Background

- 2.1** Council agreed the 2010/2011 HRA Capital Programme at its meeting on 24 February 2010. The investment requirements contained in the report are set out in the resource assumption of the 30-year business plan previously agreed by Council as part of the option appraisal process. The investment requirements in the business plan are based on the partial stock transfer option (5a) agreed by Council when it considered the draft Standard Delivery Plan in October 2008.
- 2.2** In drawing up the 30-year business plan, the Council commissioned a stock condition survey of 15% of its stock in 2005. This survey, together with a stage 1 structural survey, was carried out in order to identify the overall investment needs of the stock, particularly in relation to SHQS. The resulting information was used in drawing up the Standard Delivery Plan, which in turn formed the basis on which members agreed the partial stock transfer strategy.
- 2.3** It should be noted that the principle purpose of the stock condition and structural surveys was to provide sufficient information for investment and strategic planning at a high level to facilitate option appraisal. It was not intended for the results to be sufficiently detailed to be used as the sole method of planning programmes of work at an operational level. The October 2008 report highlighted that just under 90% of the Council's housing stock currently failed to meet SHQS on one or more building element, indicating a high level backlog of investment need.

- 2.4** Subsequent to the amendment of option 5 being adopted as Council policy (Council meeting of 29 October 2008), the total investment needs set out in the 30-year business plan were revised downwards to exclude what was described as high risk stock. These were predominately houses in the transfer areas that were in the “red” category. Subsequently, the revised investment needs were broken down into financial years and these global annual figures have been used when preparing subsequent HRA Capital Programme for approval by members. The HRA Capital Programme last year contained a three year budget based on these investment requirements.

3. Main Issues

- 3.1** HRA Capital Programmes in the years prior to the stock condition survey being carried out were based on information from technical staff using their knowledge and experience of the various building elements. The stock condition survey results helped to inform this process by providing more systematic information. However, sample surveys by their nature depend on the survey results from individual houses being extrapolated to other similar types of houses that have not been surveyed in order to obtain a global picture. This process is described as “cloning”. Although it produces a 100% stock database, the information needs to be verified at the stage that programmes of work are being drawn up. As stated in Section 2.3, these relatively small sample surveys whilst useful for business planning requirements are not reliable for operational planning and they have to be supported by staff and records of local knowledge.
- 3.2** It is clear that that there needs to be a much stronger link between the results of stock condition and structural surveys and input from technical staff. A combination of both sources of information is required to ensure that investment is effectively prioritised and targeted to meet the Council’s longer term objectives.
- 3.3** A further stock condition survey of 10% of the housing stock was carried out in 2010 together with a more detailed structural survey, both of which are principally required to provide up to date information for the partial stock transfer project. However, the opportunity has been taken to expand the scope of the stock condition survey to also provide the Council with a stock condition database that can be used in future years as an investment planning tool.
- 3.4** By the end of January 2011 the stock condition database will be available. At that stage, officers will upload existing records of work carried out in the recent past to get an overall up to date picture of the condition of the housing stock. Thereafter the database will be maintained as a record of work done and will also act as a vehicle for future forward planning of programmes of work at a detailed level. In addition, it will allow progress towards meeting the SHQS targets to be effectively monitored. Information from the latest survey indicates a current SHQS compliance level in excess of 30%. That figure relates to the entire housing stock, including houses in areas identified for transfer.

- 3.5** Four years remain until the deadline of 2015 to meet the Scottish Housing Quality Standard is reached. The current method of delivering the capital programme is to develop projects on an annual basis within the context of the approved capital budget once it has been approved by Council.
- 3.6** Procurement is on an individual project by project basis resulting in a significant number of projects not starting until the autumn. This step by step approach will not deliver the volume of work that needs to be done between now and 2015 to meet SHQS. A different approach needs to be taken, one based on longer term planning based on the investment resource levels already identified and agreed in the 30-year business plan. There needs to be a greater concentration on delivering work on site rather than constantly repeating the process of getting to that point.
- 3.7** From 2011, larger projects need to be created for individual or groups of related building element replacement programmes that will run over several years up to the 2015 deadline. These projects need to be procured as framework type contracts that allow the Council the flexibility to control the flow of work to meet annual approved budgets whilst having the mechanism in place to maximise continuity of delivery on site. Having such contracts in place will also allow for additional houses to be added at a later date should this be necessary.
- 3.8** It is likely that these contracts will be of a size that will be subject to the European procurement rules, with corresponding longer lead in times although the procurement via framework contracts will achieve time savings in the medium/longer term. It is accordingly imperative that work commences on these contracts at the earliest possible opportunity.
- 3.9** The Council requires to be confident it can deliver the Housing Quality Standard by 2015. It is therefore critical that the current approach to procurement changes to a long term procurement and contract management strategy.

4. People Implications

- 4.1** There are no implications.

5. Financial Implications

- 5.1** Procuring larger scale contracts should be more cost effective and result in better value for money.

6. Risk Analysis

- 6.1** That current mechanism for planning and procuring the HRA Capital Programme do not provide the certainty necessary to deliver SHQS within the required timescale. The proposed approach will allow for the development of a more flexible and sustainable programme that will optimise investment plan delivery at a pace consistent with achieving SHQS as far as reasonably practicable.

7. Equalities Impact

- 7.1** There are no implications.

8. Conclusions and Recommendations

- 8.1** In the financial year 2011/12 there will be a transition from the existing methods of drawing up programmes of work and project procurement. This is critical to ensure the 2015 Scottish Housing Quality Standard deadline is achieved.
- 8.2** It is recommended that the Committee:
- (i) note the future approach to planning and procurement of the Housing Capital programme; and
 - (ii) agree that reports will be brought to the Committee on an annual basis detailing progress towards achieving SHQS.

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Appendix: None

Background Papers: None

Wards Affected: All