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| WARWICK DISTRICT COUNCIL | **Executive 3rd September 2015** | **Agenda Item No.** **5** |

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| **Title** | Housing Stock Condition Survey & Strategic Asset Management |
| **For further information about this report please contact** | Matt Jones/Andy Thompson |
| **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| **Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?** |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** | |
| **Background Papers** | Executive 11th March 2015 HRA Business Plan Review for 2015/16 to 2061/62 |

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|---|---|
| **Contrary to the policy framework:** | No |
| **Contrary to the budgetary framework:** | No |
| **Key Decision?** | Yes |
| **Included within the Forward Plan? (If yes include reference number)** | No |
| **Equality & Sustainability Impact Assessment Undertaken** | No |
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| **Officer/Councillor Approval** | | |
|---|---|---|
| **Officer Approval** | **Date** | **Name** |
| Deputy Chief Executive | 21.08.15 | Bill Hunt |
| Head of Service | 17.08.15 | Andy Thompson |
| CMT | 21.08.15 | Chris Elliott, Andrew Jones, Bill Hunt |
| Section 151 Officer | 17.08.15 | Mike Snow |
| Monitoring Officer | 21.08.15 | Andy Jones |
| Finance | 17.08.15 | Sue Simmonds/Mark Smith |
| Portfolio Holder(s) | 21.08.15 | Cllr. Phillips |
| **Consultation & Community Engagement** | | |
| n/a | | |
| **Final Decision?** | | Yes |
| **Suggested next steps (if not final decision please set out below)** | | |

## 1. Summary

1.1 This report sets out the rationale for undertaking a 100% stock condition survey of Housing Revenue Account (HRA) residential assets to collect condition data for a range of key building components. It sets out the requirement to invest in associated technology to support the survey and the ongoing maintenance of data and requests a budget of £378,000 for the projected cost of delivery of the survey, although all other associated costs will be met from existing HRA budgets. It also requests approval for an additional staffing resource to ensure that the survey process and the use of the resultant data collected is effectively managed.

## 2. Recommendations

2.1 That Executive approves a change to the current HRA budget for 2015/16 and 2016/17 to reduce the contributions made into the HRA Capital Investment Reserve by up to £378,000 to fund a 100% stock condition survey of HRA residential assets and allow a transition to Strategic Asset Management.

2.2 That Executive notes the estimated cost of £16,290 to purchase and the annual cost of £2,410 to maintain the hardware and software required to support the completion of the survey will be met from existing HRA budgets.

2.3 That, subject to approval by Employment Committee, Executive approves the transfer of £85,000 to the Asset Management staffing budget from existing non-staff HRA budgets to fund the appointment of a temporary surveyor post.

## 3. Reasons for the Recommendation

3.1 The Council currently formulates its HRA Housing Investment Programme annually, using a process of annual inspections to identify and prioritise properties for inclusion in cyclical maintenance and improvement programmes. These inspections are used to supplement existing stock condition survey which has historically been collected on a sample % of different stock types. This current approach of Annual Maintenance Management has several limitations:

- Annual programme setting limits the Council's ability to take a long term approach to forecasting future maintenance requirements and planning the deployment of budgets and resources.
- The limited component age and condition data, based on sample stock condition survey information, hinders informed strategic decision making on the creation of long term maintenance programmes tailored to actual condition and lifecycles of the housing stock and its various components.
- Annual Maintenance Management is resource intensive, reducing the capacity of the service to closely manage works programmes and respond promptly to enquiries and ad hoc work requests.
- The lack of a long term programme is an obstacle in communicating future maintenance plans with and responding to enquiries from contractors and internal and external customers.

3.2 It is proposed that the Council should change to a process of Strategic Asset Management for its HRA stock. This is a business process with the underlying purpose of securing the best use of property assets and minimising the opportunity cost of resources tied up in property assets. This can only be achieved by fully understanding the condition of the stock and using that knowledge to put in place evidenced, targeted investment programmes to reduce the overall cost of keeping the stock in a usable condition. Full stock

condition surveys gather the intelligence and interactive databases allow for this information to be managed together creating an effective Strategic Asset Management process. By providing this knowledge and allowing it to be effectively managed to shape investment programmes and provide the foundation on which the Council can test and prioritise its maintenance and investment programmes.

3.3 The benefits of the proposed Strategic Asset Management approach include:

- The Council having the intelligence and the tools to test and prioritise its HRA maintenance and investment programmes
- Use of medium and long term business and budget planning to enable the Council to prioritise resources based on actual need rather than historical expenditure
- Supporting effective and pro-active communication between the Council and its customers and contractors and allowing the Council to be clearer when advising tenants and lease-holders works will be undertaken to specific properties.

3.4 Having a robust and interactive database in place allows the Council to assemble, maintain and interrogate data to produce intelligent maintenance policy and provide a basis for strategic decision making on where, when and how to invest in our housing. Maintaining the data base with up to date information is essential to ensure the success of Strategic Asset Management. This in turn provides opportunities to improve efficiency and generate increased value for money.

3.5 Officers in Housing & Property Services and ICT Services have developed the Council's ActiveH database and collated historical investment and maintenance data from a range of housing improvement programmes (for example, kitchen and bathroom replacement, window and door replacement). This information has already been uploaded into the ActiveH asset management database and has improved the quality of condition based data for a range of key building components.

3.6 However, to support a transition from Annual Maintenance Management to Strategic Asset Management the Council needs to:

- Collect a complete set of data on the presence, age and condition of key building components across its housing stock to create a base-line understanding of its assets, by undertaking a full (100%) survey of its HRA residential assets.
- Allow for the data to be collected, assessed and used as quickly as possible and to ensure that the survey intelligence remains up to date by introducing mobile working practices and technology for Surveyors and Property Maintenance Officers.

3.7 Recommendation 2.1 provides for an estimated cost of the survey of £378,000. This is considered a prudent and realistic figure based on an evaluation of past costs. In 2010 the Council procured a decent homes survey of eight hundred and seventy nine properties. This cost £34,700, equating to circa £40 per property. Inflating this figure by an average of the Consumer Price Index for the period 2010 to 2015 (3% as calculated using data from the Office of National Statistics) increases the cost per dwelling to £46. The cost of a full 100% stock condition survey for all the HRA housing stock, currently 5,985 separate assets including individual dwellings and communal areas within blocks, based on this figure would therefore be £280,000. However, as this figure has not been market tested and the actual price will not be known until

the procurement process is complete it is considered prudent to allow for a contingency of 35% given that this will be a full survey, to a set specification using our own software and requiring considerable field work, taking the estimated cost to £378,000. If the procurement exercise leads to a cost below this figure the reduction in the contribution to the Housing Capital Investment Reserve would be reduced accordingly.

3.8 This estimated value of the survey exceeds the £173,000 threshold for service contracts and will therefore require procurement in accordance with by the Public Contract Regulations. There may be particular frameworks available to us to utilise that, if available will shorten the procurement process timescale however if not available then due to the estimated value of the requirement a full OJEU tendering exercise will be required with an potential time period of up to six months. It is intended that the survey will be completed by 31st March 2016 but this is subject to the availability of consultant resources following procurement and rates of access to properties. It is therefore possible that project may straddle the financial years 2015/16 and 2016/17.

3.9 The survey data will be used during 2016/17 by officers to shape the HRA Business Plan to support the investment needs of the Council's housing stock and to inform long term maintenance plans from April 2017 onwards. This will enable a holistic and all-embracing approach to be taken to reshaping the HRA Business Plan and its capacity to support investment needs, in response to the emerging thrust of national policy. At present the detail of the proposed introduction of Right-to-Buy for housing association tenants, funded by local authority stock sales and reductions in rent from 2016/17 onwards for four years and the potential impact on rent collection of proposed changes to welfare budgets will be clearer. Until a greater understanding of these changes is known and has been modelled, it is not going to be possible to undertake in the current financial year more than an interim review of the Business Plan.

3.10 To ensure that the survey effectively collects all required information in the format required for storage and assessment it is proposed that new mobile working technology is deployed. The Council's current preferred mobile software is Total Mobile. Officers within H&PS and ICT are currently developing Total Mobile survey templates and software that ensures survey data can be collected electronically and uploaded to the ActiveH database without the need for manual data entry. The specification for the Stock Condition Survey will stipulate the use of this technology by the successful surveying contractor.

3.11 The Total Mobile survey package is not only necessary to support the initial survey but is also essential for Council officers to maintain the stock condition data on an on-going basis. Licences are required to use the Total Mobile Software, sold as bundles of ten at a cost £750 per licence. Handheld ICT equipment is also required to complete the survey electronically. It is estimated that ten handheld units will be required at a cost of £240 per unit. It is also necessary to purchase a mobile data contract for each of the handhelds at an estimated cost of £48 per handheld unit per year. The total initial cost to invest in the mobile technology to support the survey is therefore circa £10,500 based on these estimates. Each software licence costs £75 a year to maintain; therefore the estimated reoccurring annual cost to maintain the software licences and mobile data contracts is circa £1,300. It should be noted that the technology is flexible and once the Survey is complete it will be used to support other working processes, for example, housing repairs inspections and Tenancy Officer Visits.

3.12 To make best use of the data to plan medium and long term investment programmes within necessarily limited and finite budgets, the Council needs to be able to test the future maintenance requirements of the HRA assets based on various scenarios to prioritise maintenance plans, identify opportunities to create value and produce need based budget forecasts to support more intelligent procurement and business planning. This can be efficiently undertaken using the ActiveH Smoothing and Modelling module. This software will allow the Council to model the long term maintenance needs of assets based on stock condition data held in the ActiveH database. The cost to purchase and install the module is £5,890. The annual maintenance costs for the module is £1,160. These costs are based on a quotation from ActiveH which is valid for ninety days from the 21st July 2015.

3.13 Managing the proposed stock condition survey and also completing the separate comprehensive structural survey of HRA multi-storey tower blocks and other properties of non-traditional construction types (as approved by Executive 11th March 2015) will require effective management that will require an additional temporary staffing resource.

3.14 It is proposed to recruit, subject to approval by Employment Committee, a 2 year surveyor post at a cost of £85,000. This post, which will be funded from existing non-staffing budgets within the HRA, will enable a permanent member of the current staffing establishment to be assigned to:

- Oversee and manage the Stock Condition Survey
- Oversee and manage the Structural Condition Survey
- Manage the collation, development and initial implementation (including any necessary procurement) of a long term planned and preventative maintenance programme to inform a revised HRA Business Plan
- Complete other supporting work, such as developing and implementing a new Voids Standard and taking forward any stock rationalisation opportunities that may arise from the survey work.

By utilising a permanent member of the team for this work rather than the new temporary post the knowledge and intelligence gained will be embedded within the organisation and the work itself is managed with a view to the long term use and value of the projects..

## 4. **Policy Framework**

4.1 The internal element of the Fit for the Future programme has the three objectives of improving the quality of the range of services offered by the Council whilst achieving value for money and developing people. These recommendations directly support each element, including encouraging new ways of working, more effective and productive use of technology where that improves our efficiency and tailoring investment to evidenced needs.

4.2 The recommendations are consistent with the need to ensure that the Council's investments in technology allow it to collect, maintain and use data to inform strategic business planning and support efficient working practices.

4.3 The recommendations will also make sure that the Council invests available resources where they have the most benefit and establish maintenance strategies that secure the future of the Council's property assets.

## 5. Budgetary Framework

5.1 The tables below summarise the investment needed to support the proposed survey and transition to Strategic Asset Management:

**Initial Investment**

| Description | Budget Estimate (£) |
|---|---|
| Full 100% Stock Condition Survey | 378,000 |
| New surveyor post to allow backfilling to enable the survey to be effectively managed | 85,000 |
| Initial Total Mobile Software Licences (x 10) | 7,500 |
| Handheld Units (x 10) | 2,400 |
| Handheld Mobile Data Contracts for first year (x 10) | 500 |
| ActiveH Smoothing & Modelling Module | 5,890 |
| **Total Initial Investment** | **479,290** |

**Annually Reoccurring Costs**

| Description | Budget Estimate (£) |
|---|---|
| Annual Total Mobile Licences (x 10) | 750 |
| Annual Handheld mobile data contracts (x 10) | 500 |
| Annual ActiveH Smoothing & Modelling Licence | 1,160 |
| **Total Annually Reoccurring Costs** | **2,410** |

5.2 By structuring the HRA Business Plan so that no debt is repaid until 2052/53, the HRA produces an annual surplus. Any amount above that needed to maintain prudent working capital is transferred to the HRA Capital Investment Reserve to fund the development of the housing landlord service, including the provision of additional council housing; a £4.9m contribution is budgeted in 2015/16.

5.3 It is proposed that the one-off cost of the 100% Stock Condition Survey itself, estimated at £378,000, will be funded by reducing the contribution into the HRA Capital Investment Reserve. Therefore if the full £378,000 cost was incurred in 2015/16 this would reduce to £4.22m. The balance in this reserve was £21.6m on 1st April 2015, of which approximately £14.6m is committed to the development of Sayer Court and the acquisition of shared ownership homes in south-west Warwick.

5.4 The additional HRA resource needed to manage the work detailed in this report equates to 1 FTE employee over a period of two years. The cost of employing a surveyor for two years to enable backfilling to allow a permanent member of staff to oversee the Stock Condition Survey and associated works would be £85,000 in total. Existing HRA non-staffing budgets, particularly consultancy, can be reduced across the financial years 2015/16 to 2017/18 and transferred to create a budget to fund this post with no increase to the overall HRA budget.

5.5 All other initial costs (£16,290) and the annual, on-going, revenue cost of equipment and licences to allow officers to maintain up-to-date asset data (£2,410) can be met from existing HRA budgets.

5.6 It should be noted that this work is additional to the Structural Condition Survey of high-rise and non-traditional homes, approved in March 2015 with a budget of £120,000.

5.7 Completing the stock condition survey to have an evidenced long term programme of planned and preventative works will improve the value for money secured by the Council from its investment in its housing stock. While it is difficult to quantify these savings, it is expected that they will soon more than outweigh the costs of the survey. This is because having in place an evidenced Strategic Asset Management programme will allow the Council to:

- Reduce spending on components that do not need replacing as it will know which are in a good enough condition to continue to remain in service
- Reduce spending on voids as the Council will know when future works, such as kitchen and bathroom upgrades, will be done and will therefore be better placed to avoid ad hoc works
- Reduce responsive repairs as the Council will be better able to reference responsive requests against a planned programme and instruct contractors accordingly
- Secure savings in the cost of planned works by being able to offer to market longer term, more structured contracts
- Allow for evidenced consideration of a stock rationalisation programme.

## 6. Risks

6.1 It is possible prices returned by tendering organisations exceed the budget estimates provided in this report. The survey estimate is based on evidenced information, adjusted for inflation and the type of survey being commissioned and so represents a sensible and informed estimate. However, it has not been subject to market testing as for such a specialists commission costs can best be secured by undertaking a formal procurement exercise which properly and robustly allows the market to determine the actual cost of the work. It is therefore possible that such a procurement exercise may lead to a price above that set out in this report. If that is the case, then the award of contracts would be deferred and further approval would be requested from the Executive before officers proceed with commissioning the survey.

6.2 If the council were to decide not to undertake the recommended survey or invest in the technology required to support the strategic asset management system it would need to accept the potential opportunity cost and limitations of the current traditional maintenance management system as set out in Section Three of this report.

6.3 The Council may find it hard to recruit an appropriately qualified surveyor to establish the capacity needed to take this project forward. This may mean a delay in commissioning the work if the recruitment exercise needs to be extended to allow for greater time to test the employment market. If the Council is unable to recruit a surveyor, then the survey and associated work will be put on hold until such time as a surveyor can be recruited. This means that the Council may have to revise its timetable to fully review the HRA Business Plan and establish a Strategic Asset Management based investment programme and continue as an interim to use the Annual Maintenance Management approach.

## 7. Alternative Options Considered

7.1 Officers had earlier this year considered the option to undertake the survey using only in-house resources. This option was reported as being the preferred option in the HRA Business Plan Review Report, considered by Members in March 2015.

7.2 At that time, it was not yet clear whether or not a sample or 100% survey would be needed. Undertaking a sample survey was considered as an option. However, this would not have given the Council the detailed base-line knowledge of each of its properties it needs to be able to plan on an evidenced basis future planned maintenance programmes. A sample survey assumes that properties of a certain age and type share not only similar types of construction but also similar components by reference to type, condition and age. Because properties are constantly being repaired, are subject to void works and have in the past may have benefitted from works undertaken as part of Annual Maintenance Management based programmes, this is not necessarily the case. As a result, future planning will include a degree of assumptions about properties that may result in programmes not being sufficiently well targeted to secure value for money and investment where it is most needed on a home-by-home basis. Moreover, a sample approach would not create a solid foundation within the database upon which to build an accurate and on-going knowledge of the condition of all our homes. The value of constantly updating what may not necessarily be an accurate base-line database will therefore be compromised. Accordingly, a sample survey is not recommended.

7.3 Further investigation into the extent of the field work needed to achieve the desired outcome of a survey of as close as possible to 100% of the Council's homes showed that it would not be possible to undertake such a survey using only the Council's in-house resources. The need to devote asset management team resources to other priorities, including reviewing and implementing changes to the way the Council delivers day-to-day repairs to its housing stock and supporting the Leisure services Review, and the need to maintain at time of unfilled posts within the department the capacity to deal with responsive repairs across the corporate and municipal housing stock mean that this option would not have been feasible if the Council wished to have the project completed by the end of 2015/16. The in-house is therefore not recommended. However, because the survey template and database have been designed the Council and the project will be overseen by the Asset management team the Stock Condition Survey will still be able to benefit from local knowledge and sensitivities.

7.4 An option to undertake the survey in-house and recruit additional temporary surveying resource to reduce the disruption to core service needs has also been considered. This option is also not considered to be feasible because of the additional temporary increase in management responsibilities, the risks of unsuccessful recruitment processes and the probable distraction of officers from current operational priorities.

7.5 The Council could decide not to undertake a survey of key building components and continue with the current annual maintenance management processes. This option is not recommended for the reasons set out in Section Three of this report.

7.6 The Council could decide not appoint a temporary surveyor for two years to provide the capacity to undertake a range of high profile, resource intensive projects essential to secure effective long term management of the Council's assets. However, this option has been rejected as it would require a reassessment of existing priority work and could potentially adversely impact on projects such as the Leisure Options review, development of the Asset Management Strategy as well as meaning the current inefficient methods of allocating programmed work for the HRA stock would need to be maintained.