

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Senior Management Team

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PROPOSAL FOR STOCK CONDITION SURVEY 2006

Purpose

1. This report provides an overview of the Council's need to commission a stock condition survey on its own housing stock, and to use this data help refresh its HRA Business Plan.

Effect on Corporate Objectives

2. Quality, Accessible Services	The information gathered from this process will make the Council better able to take more informed decisions affecting services.
Village Life	Better targeted housing maintenance programmes will ensure houses are well maintained; enhancing village life
Sustainability	The information will help target resources to those properties in most need helping to provide sustainable communities.
Partnership	Working in partnership with the consultants, contractors and our own staff.

Background

3. Last year SCDC carried out a Housing Options Appraisal to establish the best way forward in respect to the future management and maintenance of the Council's housing stock.
4. Consultants were invited to provide quotations for assisting the Council through the options appraisal process. The work was awarded to Tribal HCH who carried out the financial modelling needed to forecast future maintenance costs and liabilities. Tribal used a sub contractor; Ridge Consultancy to carry out the assessment of our stock condition data,
5. During this process it came to light that the robustness of the housing stock information was limited, and this proved to be a major impediment in verifying investment requirements. The stock information used to project future maintenance and improvement expenditure had been derived from a Stock Condition Survey (SCS) that was carried out in 2002. Whilst this information was sufficient to assist the housing options appraisal process, it was clear that it had not been kept updated, and the future validity and usefulness of the data was questionable. As a consequence the Council committed to commissioning a new SCS in 2006/07 - and a budget £50,000 set aside to do so.
6. The Business Plan produced using Tribal's financial model during the Options Appraisal process is now out of date due to a number of recent developments that have had significant financial implications. Including:

- a. The new advice that receipts arising from Equity Share Scheme are caught by "receipts pooling"
 - b. The decision in principle to proceed with the transfer of the Windmill estate
 - c. The savings arising from the restructuring of the Housing Department
 - d. The 2006/7 HRA Subsidy Determination, including the amended target rents, and revised approach to moving actual management and maintenance allowances towards target allowances.
 - e. The budget set by the Council 2006/7
7. The recent changes call into question the previous assumptions made on the viability of the Council's ability to retain and adequately maintain its housing stock. In order to highlight any potential future financial shortfall, it is now imperative that the Business plan is revisited and refreshed with more up-to-date data in order to establish the true position, so that informed decisions can be made on the way forward.
8. Having acknowledged the shortcomings of the previous SCS it is felt more appropriate to seek expert support in procuring and overseeing the new SCS rather than simply commissioning a standard *off-the-shelf* product and risk falling into the same pitfalls as happened on the previous occasion. It is also felt that better use could be made of the existing information already stored in-house, and the new data gathered could be used to form an asset management plan and drive our decent homes and planned maintenance programmes.
9. As a natural extension to their previous work for us - Tribal HCH have provided a proposal to:
 - a. Review and refresh the 30-year financial forecast and provide a summary of our current position (Cost £7,000 - £10,000)
 - b. Provide support on stock condition survey matters
10. Included within their proposal (dated 17 February 2006) is the use of their sub-contractor's Ridge Consultancy to oversee the SCS process. Ridge was involved in analysing our stock condition data in the first options appraisal process and have considerable experience in this area; specialising in management and supervisory activities rather than actually undertaking the surveys themselves.
11. Included within Tribal's proposal is the use of Ridge to support the SCS process in the following aspects:
 - a. Survey planning and design, and specification
 - b. Recommendation of appropriate survey firms
 - c. Analysis of tenders
 - d. Contractor selection
 - e. Project management
 - f. Quality checks
 - g. Data analysis and management
 - h. Business plan and decent homes analysis
12. On 29 June 2006 Richard Hands and Mark Astbury of Ridge Consultants met with myself, Steve Hampson and Steve Annetts to discuss the SCS proposal. They advised on the following:

- a. The survey should include a minimum of 20% of the housing stock (1,152 external and internal) and 100% of communal areas in order for it to be statistically sound
 - b. The surveys could be carried out this autumn and the results available by mid December 2006 providing the procurement process is instigated promptly
 - c. The survey could be used to provide financial forecasts and asset management information
 - d. Other more specific requirements could be specified including: Decent Homes monitoring, Housing Health and Safety ratings, SAP (energy) ratings, Asbestos register, Non-traditional Housing, Visual Data sheets etc.
 - e. Once the initial survey is completed, in-house staff should update the survey in order to eventually achieve 100% of the stock surveyed
 - f. Asset Management software will need to be purchased in order to successfully manage the stock data once the SCS has been completed
 - g. Ridge Consultancy would work on a day rate bases – on average the number of days needed to oversee the SCS process itself is 15. Additional time would be needed to assist with data management and decent homes analysis, estimated at 3 days. The rate is £130 per hour. Therefore £130 X 8 hours X 18 days = £18,700.
 - h. The estimated cost of the survey itself is £90,000, but this is of course dependant on the final specification and tender prices (to be procured in compliance with SCDC's standing orders).
 - i. A minimum budget of £110,000 is therefore needed for the SCS element.
13. As previously established Tribal originally went through the Council's competitive process to be awarded the work supporting our original options appraisal process. This they carried out to the Council's satisfaction. As a result they have built up strong working relationship with the Council and are now in a position of understanding of our systems and financial position. This they state is reflected in their quotation to us.
 14. The factors above provide a compelling argument for continuing the current working relationship with Tribal, as the work involved in updating and refreshing the options appraisal data naturally arises from the initial options appraisal process itself.
 15. Tribal's proposal included three separately priced options, the third option (which is the cheapest option) is to wait until the SCS has been completed and then carry out the remodelling exercise; cost £7,000. As previously discussed Ridge's fee is based on an hourly rate, this is estimated to total £18,700. The total amount for the consultancy element is therefore estimated to be £25,700. This estimated contract sum value is within the Level 3 threshold of the Council's standing orders; this dictates that the work is tendered.
 16. The Executive Director has discussed the application of Contract Standing order 4.5 – Single tenders, with the Legal team and as the financial modelling and expert advice proposal from Tribal is in excess of £25,000 then it is permissible to award by way of single tender as long as 'the Council considers it desirable in the best interests of the Council'. The Executive Director considers this to be the case and intends to seek the approval of the Resources and Staffing and Housing Portfolio Holders to this course of action.

Considerations

17. The Current HRA Business Plan, which was developed as part of last year's Options Appraisal process. It is now out of date due to a number of recent developments that have significant financial implications.
18. The HRA Business Plan cannot be refreshed without carrying out a new Stock Condition Survey (SCS), as the existing stock condition data has not been updated since 2002.
19. A new SCS would also help the Council to develop its Asset Management and Decent Homes strategy.
20. Tribal HCH has set out a proposal to:
 - a. Update the Business Plan with 2006/7 as its base year
 - b. Employ Ridge Consultancy to support the Council in producing and procuring a SCS.
21. Although there is a significant cost associated with commissioning a SCS, the payback can be measured in terms of the savings made by using this data to build future maintenance programmes that effectively target only those properties in most need of maintenance improvements thus cutting out the waste associated with either replacing components before the end of their useful life, or the wrong components altogether.
22. Whilst the Council's standing orders dictate that the works of this value normally have to be competitively procured, it can be argued that it's in the Council's best interest to use Tribal HCH to update the Business Plan,
23. The support of Ridge Consultancy via Tribal HCH would help ensure the SCS is conducted correctly and warranted, and that it actually provides the Council with the appropriate information required to set up a robust and sustainable asset management strategy.

Options

24.
 - a. Update the Business Plan using existing sources of information. Cost £ N/A internal resource cost – final plan/report would not be warranted.
 - b. Tender to update the Business Plan but without updating stock condition survey information. Cost £7,000 – £10,000 – final plan/report would not be warranted.
 - c. Tender to update the Business Plan, but oversee stock condition survey ourselves (draft specification and tender ourselves). Estimated Budget Cost £100,000 + resource cost – Risk that survey might not be warranted or meet all of our asset management requirements, and may have a limited shelf life.

- d. Tender to update the Business Plan and oversee the Stock Condition Survey - would delay the options appraisal process which is time critical - Estimated Budget Cost £120,000
- e. Accept Tribal HCH's quotation to update the Business Plan and oversee the Stock Condition Survey – Estimated Budget Cost £120,000.

Financial Implications

- 25. £120,000 for stock condition survey and management costs

Legal Implications

- 26. None

Staffing Implications

- 27. Stock condition surveys will be conducted by in-house staff once initially survey exercise is completed – may require some organisational restructure within Property Services.

Risk Management Implications

- 28. Risk of unsustainable HRA Business Plan, and poorly targeted maintenance programmes if survey not carried out.

Consultations

- 29. None

Conclusions/Summary

- 30. Due to a number of recent developments with significant financial implications for the Housing Revenue Account, it is necessary for the Council to revisit last year's Options Appraisal process with a view to refresh the business plan data to establish an up to date picture of the projected management and maintenance costs, and projected income.
- 31. The last stock condition survey was carried out in 2002, as this information is now significantly out of date, a new survey is needed in order to be able to make informed decisions on the future of the housing stock.
- 32. Tribal HCH have set out a proposal to update the business plan and oversee a new stock condition survey using Ridge Consultancy – who are a recognised market leader in the production and management Stock Condition Surveys.
- 33. The Council's standing orders dictate that works of this value normally have to be tendered; however, it's suggested that it's in the Council's best interest to use Tribal HCH to update the Business Plan because of their knowledge and experience, and the critical time factor.

Recommendations

34. Accept Tribal HCH's quotation to update the Business Plan and oversee the Stock Condition Survey — Estimated Budget Cost £120,000.

Background Papers: the following background papers were used in the preparation of this report: Tribal HCH – *Updating the Council's HRA Business Plan, and new stock condition survey Proposal*, with Appendix 1 *Proposed new stock condition survey assistance from Ridge* (Tribal HCH sub-contractor).

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