Wolverhampton Homes Delivery Plan
Quarterly Monitoring Group Meeting

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Information Item:

2020-21 Capital Programme – Quarter-4 Update

1. Purpose of Report

1.1. To provide the Wolverhampton Homes Delivery Plan Quarterly Monitoring Group meeting with an update on the capital programme expenditure and performance that was achieved during the financial year 2020-21, in the provision of improvements to the existing social housing portfolio.

2. Background

2.1. The Housing Revenue Account (HRA) Capital Programme for the financial year 2020-21 was approved by the Council's Cabinet on 22 January 2020. The Council delegated £52.70m of this to Wolverhampton Homes to manage and deliver. In addition, there were also some projects delivered by Wolverhampton Homes on behalf of Council budget holders (disabled adaptations and infill new build); the value of this work was £5.00m, bringing the total to £57.70m.

2.2. The HRA Capital budgets are subject to on-going refinement, through quarterly reviews that are endorsed by the Council's Cabinet Resources Panel, to ensure that the necessary funds are allocated to the relevant budgets and that public borrowing to support the capital programme is only obtained when appropriate.

2.3. During the financial year 2020-21, the Covid-19 pandemic created unprecedented disruption to the capital programme delivery. The changes to the HRA Capital Programme budgets are summarised below.

Budget Period	Delegated to WH	Managed by WH	Combined Value
Original Budget (Jan 20)	£52.700m	£5.000m	£57.700m
Quarter-1 Review	£42.765m	£4.894m	£47.659m
Quarter-2 Review	£36.217m	£3.892m	£40.109m
Quarter-3 Review	£35.250m	£2.532m	£37.782m

2.4. The first budget review (Quarter-1) was undertaken before the full impact of the pandemic was understood, but as the year progressed the effect on expenditure and programme became clearer.

2.5. Appendix-1 to this report identifies the out-turn position by budget and includes variance to budget, which is a comparison against the budgets approved following the Quarter-3 Review.

3. Matters for consideration

3.1. Despite the substantial challenges posed by the Covid-19 pandemic, the out-turn for the HRA Capital Programme delegated to Wolverhampton Homes was reasonable at £33.645m, which is an underspend of £1.605m against the revised budget.

3.2. The out-turn expenditure for the projects managed on behalf of Council budget holders was £2.376m, an underspend of £0.156m against the revised budgets. The combined out-turn is £36.021m, which is an underspend of £1.761m against the Quarter-3 budgets.

3.3. When the out-turn expenditure is compared to the original budget, it is evident that there is a massive underspend of £21.59m, however, it must be borne in mind that the forecasts that set the budgets were done in November 2019, and at that point in time, no one was aware that we would be battling a pandemic four months later.

3.4. It should also be remembered, that due to the unprecedented nature of the events that unfolded from March 2020, with a rapidly developing situation that often changed from one week to the next, it was very difficult to accurately predict all of the financial implications.

3.5. In terms of project delivery, the key issues to note are:

a) There was some acceleration of the programme on the Heath Town Refurbishment Project, which increased expenditure on the improvements to the deck-access blocks by £1.15m against the revised budget for the year. This was achieved as the delivery has become more efficient as the project continues, with the shared learning being passed from each phase to the next.

b) Historically we have assumed that there will be circa 160 high cost voids completed during each financial year and the original budget of £3.25m was set on this basis. During the first quarter of the financial year, void properties were stockpiled and once the construction work was remobilised, a total of 252 properties were refurbished during the remainder of the year. The increase in properties needing major work is because more components fail as the properties get older. The numbers of properties requiring structural repairs or other forms of extensive work has increased each year. It has also been 14-years since the first Decent Homes kitchens were fitted, so many of the void properties need kitchens replacing. The combination of these issues increased expenditure to £5.07m.

c) There was an underspend on the re-roofing programme, as originally 184 properties were programmed for completion, but it was only possible to complete 122 properties by the end of March 2021. This was due in the main to poor weather conditions that delayed the start or completion of properties. There was also an impact due to the pandemic, as it halted the production of roof tiles and associated materials for several months, which in-turn interrupted the supply of these materials and restricted the number of properties that could be worked upon whilst the restrictions were in effect.

d) The Infrastructure Project, which includes the fire safety improvements (and installation of sprinklers), along with the replacement of the mechanical and electrical services to high-rise blocks is progressing well. The second phase of the programme at the Boscobel estate is due to complete in June 2021, and the third phase at the Lakefield estate will finish in July. There have been numerous challenges principally because the blocks weren't designed to facilitate the easy replacement of these services. These challenges were compounded by Covid-19, which extended the duration of these projects.

3.6. The positives to take from this immensely challenging time, is that the HRA Capital Programme has still been able to improve residents' homes and has continued to provided employment for a lot of local people throughout an immensely challenging year.

4. The impact of Covid-19

4.1. On 23rd March 2020, the UK Government instructed that due to the increasing threat from the global Coronavirus (COVID-19) pandemic, people must stay at home, as it was vital to slow the spread of the disease. In accordance with this instruction the decision was taken to halt any non-essential construction activity. Consequently, the delivery of construction projects that form the Housing Capital Programme were suspended at the various sites across the city.

4.2. In late April 2020, the Government clarified its message, stating that it wanted construction activity to continue. Most projects remobilised during May and restarted in June, although due to the Covid-19 controls that were implemented, there was a tiered resumption of activity. This started with external work as this represented the lowest risk, and by late summer most activities including work within dwellings had recommenced.

4.3. There was some prolongation of construction programmes due to the need to limit the number of people working in an area at the same time. There were also adverse financial impacts as some tasks took longer due to the need to maintain social distancing, and all tasks required increased levels of personal protective equipment and hygienic cleaning.

4.4. The Infrastructure Projects were adversely affected as part of the work involves the removal of asbestos containing materials from all the flats in each block. For the work to be done safely, the residents must be out of their home for most of the day. So, to minimise the disruption for them, arrangements had been made with a local budget hotel, to provide them with somewhere to stay whilst the work was undertaken. Unfortunately, with the introduction of the tiered Covid-19 restrictions, all hotels in Wolverhampton were forced to close on 14 October 2020 and have remained closed through the period of the second national lock-down and finally re-opened on 17 May 2021. As a result, this aspect of work was significantly delayed and consequently, so were the reinstatement activities that followed the removal of the asbestos panels.

4.5. The commercial impacts of the Covid-19 pandemic are still being felt, as we are now starting to see material prices increasing by 20-30% and these increases are being seen across the board. The producers of raw materials are increasing their prices to recoup their losses due to the pandemic; the manufacturers are then being hit with this increase and are also applying their own price increase to the manufactured products. This impact is then being transferred onto material wholesalers and contractors, who are all increasing their prices to cover the cost increases. It is probable that this situation will continue for some considerable time, until manufacturers, suppliers and contractors alike have recovered from the financial losses they incurred during the pandemic.

5. List of Appendices

Appendix-1 – Capital Programme Out-turn 2020-21