

20 March 2024

Councillor Lynda Thorne
Cabinet Member for Housing & Communities
Sent via e-mail



Dear Cllr Thorne,

COMMUNITY & ADULT SERVICES SCRUTINY COMMITTEE – 18 MARCH 2024 – HRA BUSINESS PLAN 2024/25 & RECLADDING: NELSON & LOUDOUNE

A sincere thanks to you and all officers for attending the Community & Adult Services Scrutiny Committee, to facilitate our consideration of the HRA Business Plan and the proposals regarding the recladding of Nelson and Loudoun house.

Our key observations and comments, for both agenda items, are captured in this letter. With a subsequent letter circulated, detailing our comments on the confidential parts of Nelson and Loudoun House.

A Delicate Balance

We feel it is vital the Business Plan strikes the delicate balance of highlighting the challenging financial context in which we operate, alongside detailing its achievements and objectives. We recognise it is pivotal the Business Plan sells our vision, ambitions, and achievements successfully to receive grant funding, however we feel that in future years the narrative of the Business Plan (i.e. not the appendices) would benefit from strengthened emphasis, throughout the narrative, on the uncertain and challenging financial context in which we operate.

Overall, we feel the Business Plan does relay complex financial information in a clear, and accessible manner.

However, given the substantial figures contained in the HRA and the importance of this Business Plan providing a clear line of accountability to the public, we **recommend:**

Future Business Plans to include more financial narrative. Including, more narrative supplementing the financial diagrams, detail on the meaning of terms such as 'bad debt' and how it is classified, and insight into the borrowing payback assessment and viability toolkit.

Welsh Housing Quality Standards (WHQS) 2023

Regarding the WHQS 2023, we would encourage you and officers to explore with Welsh Government the following:

- If the Council building carbon positive housing can be offset against our old housing stock which would struggle to meet the requirements of Energy Performance Rating A by 2034.
- How achieving these standards might impact our ability to achieve the Major Repairs Allowance Grant, for example if it would be the case that we don't reach standards that grant funding would be deducted on a percentage terms, or if the grant would be revoked in its entirety.
- The need for Welsh Government to explore the requirements placed on private developers in meeting decarbonisation targets alongside ensuring equity and balance in achieving our climate ambitions.

Given the scale of the work in meeting the new WHQS, our concern remains regarding the scale of the challenge and the subsequent lack of financial planning, albeit indicative, in the Business Plan toward meeting the decarbonisation aspects of the standards.

We note and understand the difficulty in estimating costings until further detail is forthcoming from Welsh Government and an assessment of all Council stock is complete. We also appreciate the risk that estimating the cost of meeting the decarbonisation aspects of the standards could skew and make the Business Plan unviable. However, given the significant challenge in meeting these standards we do feel indicative financial planning should be articulated in the Business Plan, such as an estimated cost analysis per unit. We note that a taskforce has been established. If that taskforce has already completed or is due to undertake this work, we feel it would be beneficial to include this information in this Business Plan. Not only would this provide transparency on the plans in place and clarity on the scale of the challenge but also reaffirms to the Welsh Government our commitment to meet the standards and the subsequent support required.

Further, we heard the financial outlay for the WHQS has not been planned for the decarbonisation aspect of the standard; we feel this could be clearer in the Plan, as sometimes is it unclear what parts of the standard have, or have not, been planned.

Overall, we do recognise the scale of the challenge and we therefore commend the establishment of the new taskforce. We would be keen to liaise further with the taskforce, to hear about the work undertaken, or their future plans and to also discuss the possibility of us assisting the taskforce in their work and easing any resource pressures they may face. We will discuss this further in our Work Programme Forum, and if agreed by the Committee as a whole, our support officer will be in touch to discuss feasibility.

Reliance on Grant Funding

Last year's Business Plan (2023/24) had £24m funding from external grants and contributions within its Capital Expenditure planning for 2023/24. This year's Business Plan (2024/25) notes that £48m in external grants and contributions will be received in 2024/25; this is a significant, and notable increase of £24m. As raised in our February meeting, we are concerned that there may be an over reliance on assumed grant and external funding. We would welcome further detail on how much of this £48m is confirmed grant, and how much is anticipated grant.

In addition, we note that if grants are not received than it is the project assigned to that grant that is impacted; for example the project could be delayed or halted. We recognise the importance of ongoing financial planning in this regard.

It is interesting to note the majority of grant uncertainty relates to social housing grant, and how officers work to address this. We also wish to urge a degree of caution when pursuing the view 'if we build it, grant will come' particularly when Welsh Government capital expenditure is decreasing.

Void Properties

It was disappointing that our comments from last year regarding provider greater clarity and analysis of voids have not been actioned. For ease of reference those comments were;

The HRA Plan details that between 2022/23, 718 council properties became void during the year. As mentioned at the meeting; we feel this aspect of the plan would benefit from the following additional information:

- *Clarity that the stats provided do not indicate the level of properties void at year end, but rather is presented to highlight the turnover of council properties during the year.*

In line with this we would appreciate clarity on what the 748 total figure in the 'available to let' column represents (page 17 of Appendix 1) in this year's Business Plan. For example, does

this signify the number of council properties that came void during the year, or as a snapshot 'as of' January 2024.

Again, as raised last year, we feel future Business Plans must provide greater clarity on the position with voids.

Lastly, we wish to end our observations on the HRA Business Plan by welcoming the ambition and financial commitment contained in the plan around Housing Repairs, the multi-agency work around ASB, the use of equalities data to identify how we can better meet the housing needs of those from ethnic minority backgrounds on the housing waiting list, and the 'right sizing' work around council properties.

With regards to the work around modernising and improving our services for tenants, we do wish to stress the importance of reviewing our digital processes and service change offering to ensure digital offerings are deployed appropriately.

RECLADDING; NELSON & LOUDOUN

Lydstep Flats – Lessons Learnt

It was interesting to explore the lessons learnt from the Lydstep Flat project and how they will be applied to the Nelson & Loudoun House project delivery.

From the discussion we note a significant number of lessons have been learnt, however it is for this reason that we find it concerning that the Cabinet Report primarily details the choice of cladding as the main lesson learnt from Lydstep Flat, with little reference to the experience of residents. We do feel the Cabinet Report should have included greater insight on the other lessons learnt.

The previous Community & Adult Services Scrutiny Committee (pre 2022 election) had concerns regarding the cost trajectory of Lydstep Flats and how much leaseholders would need to pay toward this work. As Lydstep Flat is near completion, we would appreciate confirmation of the following:

- The final overall costing for Lydstep Flat (*noting in the September 2021 Cabinet Report overall costings was projected as £15m*)

- How much each Lydstep Flat leaseholders paid during the works and what their payment contributed to (*previously we were informed their costing would relate to windows and balcony work, but this may be subject to change*)

Impact on Residents

We raised our concern that cladding has been removed from Nelson house since 2019, and residents in Loudoun House having been living in a building where cladding does not meet fire safety standards. Although we note the precautions put in place at Loudoun, this knowledge would have undoubtedly caused anxiety for residents.

We were pleased to hear we have provided residents of Nelson with financial compensation by paying their utility bills (owing to the fact they have no cladding).

Given the undoubtable impact the delay in this project's delivery had on residents we sought to understand why it has taken so long to start the project, given it was first proposed in 2020. Though we recognise and understanding the reasonings for the delay offered at the meeting (*eg due to complexity of work, need to undertake tests etc*) given the significant length of time it has taken our concerns, and sympathy for the residents remain. We therefore sincerely hope every effort is made to ensure the project incurs no further delays.

Costings

We note the Cabinet Report details anticipated costing for this project is £25m (which includes a contingency allocation) with the Council being able to claim back VAT. We were pleased to hear that it is anticipated a Welsh Government grant will cover the full cost of work, and Loudoun House leaseholders will not be expected to make any financial contribution toward remediation works.

In addition, we also stressed the need to ensure we achieve value for money and avoid any 'monopoly effect'. We note the assurance that a cost consultant would be involved in this work to undertake and ensure full due diligence and advise on appropriateness of costings being submitted.

We note as this is a two-stage project the cost should be known after 'Phase 1' and if the cost escalates, we could choose not to proceed. Further, we note the contractor could also choose not to proceed if the costs after Phase 1 escalate. Further we also note if costs escalate significantly, further liaison with Welsh Government will be sought along with the possibility of

sourcing monies from the HRA; however, if there is a significant change, a Report will be brought to Cabinet for a further decision.

Delivery Timescale

Given the amount of time it took to deliver Lydstep Flat, which was significantly longer than anticipated, we had concerns around the proposed 18-month construction timeframe proposed in this Cabinet Report for Nelson & Loudoun House, and its achievability.

We note that externals Mott McDonalds have developed this timescale and they have taken into account all of the learning from Lydstep. However, there may be some eventualities not able to be anticipated (*for example, unplanned eventualities could arise when working on an old building*) and for this reason the timescale for delivery is subject to change.

Cladding Specification

We raised our concern regarding the advice provided by Mott McDonald over the Council's "loss of technical guidance and control over [cladding] specification' and the subsequent risks this may present. In response, we heard how the contractors will not have full discretionary power and it was pleasing, and reassuring to note within this decision there will be technical advisors involved alongside building control review and process guiding and managing the outcome.

We wish to stress the importance of ensuring that the council has ongoing and detailed oversight of the technical specifications of the project and their delivery at all times.

Building Safety Act 2022

Owing to the sound issues experienced at the meeting, we would appreciate if the following information could be provided:

- Clarity on the Building Safety Acts implications for the Council
- The Council's initial understanding on how the timing of new Welsh regulations might impact the Nelson & Loudoun project and what we are doing to mitigate this risk.
- Update on where we are in drawing the action plan recommended by Audit Wales to help us prepare for the forthcoming requirements of the Act.

Thank you once again to you, and officers, for attending committee.

For ease of reference, the requests captured within this letter, which we request a response on, are as follows:

HRA Business Plan 2024/25

- If the following recommendation is accepted:
Future Business Plans to include more financial narrative. Including, more narrative supplementing the financial diagrams, detail on the meaning of terms such as 'bad debt' and how it is classified, and insight into the borrowing payback assessment and viability toolkit.
- How much of the £48m 'external grant and contributions' funding in capital expenditure for 2024/25 is confirmed grant, and how much is anticipated grant.
- What the 748 total figure in the 'available to let' column represents. (page 17 of Appendix 1).

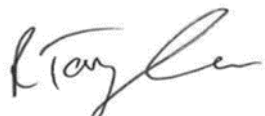
Recladding Nelson & Loudoun

- The final overall costing for Lydstep Flats.
- How much each Lydstep Flat leaseholders paid during the works, and what the costing they paid related to
- Clarity on the Building Safety Acts implications for the Council
- Detail on our initial understanding on how the Welsh regulations timing will impact the Nelson & Loudoun project, and what we are doing to mitigate this risk.
- Update on where we are in drawing the action plan recommended by Audit Wales to help us prepare for the forthcoming requirements of the Act.

I hope you find the discussions held at committee and captured within this letter of use.

I look forward to your response.

Yours,



COUNCILLOR RHYS TAYLOR

CHAIR, COMMUNITY & ADULT SERVICES SCRUTINY COMMITTEE

cc. Members of the Community & Adult Services Scrutiny Committee

Sarah McGill, Corporate Director People & Communities

Jane Thomas, Director Adults, Housing & Communities

Helen Evans, Assistant Director, Housing & Communities

Anil Hirani, Operational Manager - Capital, Corporate & Treasury

Gill Brown, Accountant

Graham Bond, Building Control

Leaders of the Opposition.

Chair of Governance & Audit
Tim Gordan, Head of Communications & External Relations
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