

RIDGE

Property and Construction Consultants

Stevenage Borough Council

Stock Condition Survey
Validation Report

First Draft

May 2005



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1. INTRODUCTION

Ridge were appointed by Stevenage Borough Council (SBC) in 2004 to provide an independent overview of the Council's existing stock condition survey and data and to comment on its suitability for use within the housing stock option appraisal process.

Following an initial review Ridge noted that the Council's stock contained a significant proportion of high-rise and non-traditionally constructed stock, the data held in respect of the structural condition of these units was variable and in some instances in need of updating. The Ridge role was therefore expanded to commission and project manage a specialist structural engineering appraisal of these 'potentially high cost' units.

Following a comprehensive set up phase in 2004, including obtaining competitive tenders, the engineering appraisal was undertaken by Curtins Consulting Engineers, who concluded their work and presented their report in 2005.

As part of the Council's rolling annual programme of stock condition surveys, Ridge were invited to assist with the commissioning and project management of the 2005 survey. The Council intended to use this survey to enhance the data already held and to take account of the Government's Decent Homes Standard reporting requirements.

The Council also wished to place greater emphasis on the collection, management and use of housing stock condition information as part of their wider asset management strategy.

As part of our appointment the Council requested that Ridge evaluate and validate stock condition survey information for use in the housing stock option appraisal process. This report summarises our validation.

This report therefore considers, and relies upon, the following reports:

- Savills – 'Draft Stock Condition Survey Report', May 2005; and
- Curtins Consulting Engineers – 'A risk assessment and Structural Survey of The High-Rise and Non-Traditional Housing Stock – Final Report', 2005.

Both of these reports are supported by a Trowers and Hamlins form of agreement, complete with warranties, this enables the data to be relied upon by third parties (e.g. funders).

It should be noted that the allowances arising from the engineering survey have been incorporated to within the Savills stock condition survey report as exceptional extensive works (EEW); combined these are referred to as the 'stock condition survey'.

2. VALIDATION METHODOLOGY

Being involved in the production of comprehensive briefing documents, consultant selection and project management has enabled Ridge to scrutinise and influence each key stage of the data gathering and reporting process; this represents a clear advantage in terms of validation rather than simply being invited to review documents once they have already been produced.

This report summarises the validation findings in two major sections:

- Review of the survey methodology; and
- Comparative analysis of findings against survey results from other similar local authorities.

The validation adopted the following processes:

- Gather data (reports etc.);
- Review survey methodology (adequacy of sample size etc.);
- Review logic of survey findings (e.g. renewal timing, profile, counts etc.);
- Review of desktop allowances (e.g. revenue budgets);
- Review report;
- Check tabular results;
- Review schedule of rates;
- Review component lifecycles;
- Undertake benchmarking/comparative analysis exercise;
- Undertake on-site quality check surveys;
- Review Decent Homes calculation and results; and
- Issue validation report.

This validation is based on the contents of both the Savills stock condition survey report and the Curtins Consulting Engineers specialist report, the contents of which are self explanatory and are not repeated here.

3. EXECUTIVE SUMMARY

Following analysis and review of the stock condition survey process and reports, Ridge conclude that the survey can be validated for use within the 2005 housing stock option appraisal (both Savills and Curtins).

4. SUMMARY OF CONCLUSIONS

The stock condition surveys have been structured to represent a best practice methodology and appear to have been carried out in accordance with the recommendations of government guidance (Collecting, Managing and Using Housing Stock Condition Information - A Good Practice Guide, DETR 2000).

The sample of **15%** (1,301 surveys from a stock of 8,637) is of a sufficient size, and the method of stratification suitably robust, to provide the required level of accuracy for a whole stock assessment.

The accuracy of the Savills sample was further enhanced by the inclusion of external and common parts surveys to flat blocks (i.e. in addition to the count of dwellings surveyed internally); also a detailed cloning process followed an informed (local knowledge) officers review.

The engineering appraisal provided an additional sample to give comfort in respect of the structural condition and requirements for the high-rise and non-traditional stock. (The sample comprised 100% screening/impressionistic survey + detailed evaluation of 5 high rise blocks, 7 medium rise blocks, 16 flats and 21 houses plus all properties designated by the Council as Wimpey No-Fines or Mowlem).

The Council has confirmed that the rates and life cycles used are an accurate reflection of current local conditions in the context of a defined standard.

The total forecast expenditure of **£444,446,404** (rounded) gives a per unit cost of **£51,458** for the thirty-year plan period for a total recorded stock of 8,637 dwellings (excluding 923 leaseholders, the external and common parts costs for which are shown on the summary reporting table). This figure is within an expected benchmark for a stock of this type (of £48,000 to £52,000); this reflects the 30 year re-investment requirements of an ageing stock, with a high proportion being of high-rise or non-traditional construction.

Some assumptions have been made by the surveyors and the Council to arrive at this total, including a reduction in the revenue cost forecasts over time (i.e. cyclical maintenance); the reductions made correctly reflect the requirement to avoid any double counting between the allowances of the on-site survey work and the desk-top allowances on completion of a catch-up and improvements programme. Furthermore they, in our opinion, set realistic benchmark targets for the delivery of services with the emphasis on pre-planning work rather than acting responsively.

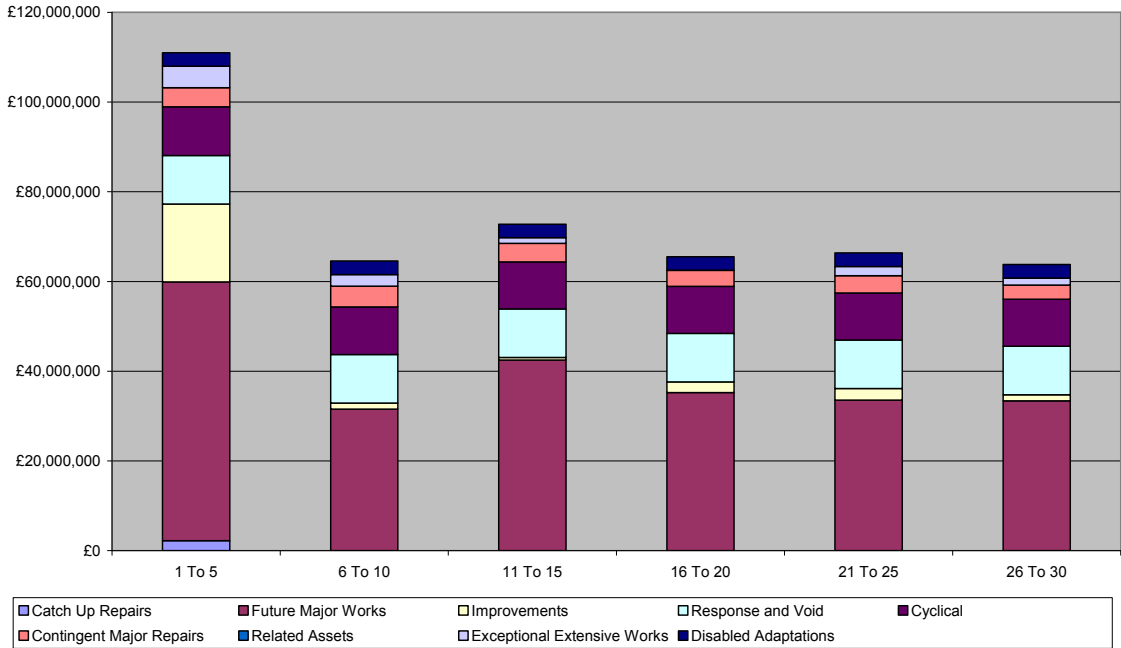
It should be noted that some current standards of maintenance may be below the aspirations of tenants and leaseholders. Therefore the reported costs may need to be modified to match the aspirational 'Stevenage Standard' arising through the option appraisal process.

The Council has provided Savills with limited information defining the extent of related assets (these have NOT been surveyed); no allowance has been included for related assets (except for one pumping station) in line with the Council's instructions. If the amount of related assets to be maintained by the Council varies significantly from those assumed by the survey then the cost allowances should be re-evaluated.

Cost Summary

The total forecast expenditure of **£444,446,404** gives a per unit cost of **£51,458** for the thirty-year plan period for a total recorded stock of 8,637 dwellings (excluding 923 leaseholders, the external and common parts costs for which are included within the Savills summary reporting table).

The following graph provides a summary of costs in 5 year bands for the period, years 1 to 30, taken from the survey cost tables. (A copy of the detailed summary cost table is provided at Appendix A of this report for ease of reference):



The high cost requirement in years 1 to 5 reflects the need to undertake catch-up repairs and an improvements programme. The lifecycle repeats of some components occur within the 30 year period (e.g. boilers every 15 years).

This is a typical profile for a stock of this type and appears to represent a reasonable and sustainable profile (subject to the availability of resources to meet demand, especially in years 1 to 5).

Failure to fully meet this expenditure profile is highly likely to have implications for the plan (i.e. assumed reductions in revenue expenditure may not arise, indeed depending upon the amount of under-funding inflationary pressures may prevail (more pressure on the responsive budget); also the schedule of rates for capital works may increase due to failure to obtain the assumed economies of scale).

The '5 year band' illustration indicates a logical and 'smoothed' profile that avoids year on year variation and which should assist to mitigate variation pressures on the Council's delivery teams.

The base date for costs has been stated as 1st quarter 2005 (no allowance for inflation or stock number variation is made).

The costs are inclusive of preliminaries, but are exclusive of fees, management costs, leaseholders works costs (full recovery assumed) and VAT.

5. SUITABILITY OF DATA FOR FUTURE STOCK OPTIONS

It should be noted that the stock condition survey has been undertaken to provide 'general' yet comprehensive condition information. The data produced by this stock condition survey will be suitable for use in the context of stock retention, LSVT and ALMO.

The survey data is not specific to the specialist demands of PFI, which would necessitate the production of a PFI specification and a 100% sample survey. The data can however be used to inform an early stage appraisal for this option.

6. REVIEW OF SURVEY METHODOLOGY

6.1 General Comments

Both the stock condition and specialist engineering surveys were carried out during 2004/05. The results have been combined in the final Savills report for ease of analysis.

The methodologies proposed and the systems adopted were derived to comply with the requirements of the commissioning briefs. These are appropriate and represent current best practice.

Following a pilot survey and training session (attended by the Council's staff), data was collected by Savills surveyors using paper format data gathering techniques.

In our opinion the sample of **15%** (1,301 surveys from a stock of 8,637) is of a sufficient size, and the method of stratification suitably robust, to provide the required level of accuracy for a whole stock assessment. The engineering appraisal provided an additional sample (100% screening/ impressionistic survey + detailed evaluation of various blocks and houses) to provide comfort in respect of the structural condition and requirements for the high-rise and non-traditional stock.

Results for the internal/external surveys of dwellings were cloned across the whole stock to produce a fully populated database (MS Access and SQL formats). The cloning sources were reviewed by officers for appropriateness.

The survey data has been supplemented with specific specialist requirements identified by the Council (e.g. a budget to address the requirement to address known asbestos problems).

At this stage no specific geographical areas or stock types have been singled out for special attention, therefore the validation applies for whole stock use only.

6.2 Survey Form

The survey forms adopted by Savills included attribute and condition information with the following details for all components:

- Year of installation;
- Quantity;
- Remaining life (forecast year of renewal).

The form included all the major components expected for a survey of this type.

Curtins adopted specialist forms suited to their engineering appraisal (different forms were used depending upon the non-traditional property type).

6.3 Decent Homes

The survey form included all of the specific questions relating to Decent Homes, using the definitions for poor condition set out in the ODPM guidance (A Decent Home – The definition and guidance for implementation, February 2004).

The Decent Homes findings are in the process of being checked following an extraction of data to our specification and modelling via the Ridge Decent Homes Model, this is known to be an accurate, tried and tested calculation engine.

6.4 Survey Accuracy

Ridge undertook a limited programme of re-inspection 'quality check' surveys in order to test the accuracy of the survey data produced for a sample of the surveyed properties.

The re-inspection surveys comprised on-site checking of data extracted from the database held by the Council for a representative sample of properties. The information held on the database for each dwelling was checked by our own surveyors for accuracy, with particular attention paid to date of installation, remaining life and quantity.

Our checking process leads us to conclude that the surveys had been undertaken to a high standard and that the data is sufficiently accurate for the purposes of generating stock condition survey costs.

6.5 Summary

In summary the survey methodology and results arising appear to be robust.

7. COMPARATIVE ANALYSIS OF FINDINGS

7.1 Methodology

A review and comparative analysis of costs arising from the stock condition survey has been carried out, by whole stock and against the following individual categories:

- Catch-up (or backlog) Repairs
- Future Major (or programmed) Works
- Estate works (related assets)
- Improvements
- Responsive and Void Repairs
- Cyclical Maintenance
- Contingent Major Repairs
- Exceptional Extensive Works
- Disabled Adaptations

In addition Ridge has undertaken the following:

1. A review of the schedule of rates used to generate costs; and
2. A review of lifecycles used in the stock condition survey to predict repeat renewals.

The stock condition survey and thus this report assumes that the Council is not responsible for costs associated with the repair and maintenance of the external and common parts of leaseholders dwellings (no internal works costs are included), on the basis that they are recharged. If this is not the case then allowance should be made in the business plan for any recharge or under-recovery for such works.

Savills estimate the total leaseholder cost to be £4,232,282.

7.2 Catch-up Repairs (£2,203,361 over 5 years)

Catch-up repairs are works required to remedy items that are overdue (e.g. renewing a front door that is rotten).

The catch-up total falls within our benchmark expectation and is not excessive. However reporting of catch-up costs varies between surveying organisations, with some surveyors reporting more items in future major works. It is therefore prudent to compare catch-up and future major works as a combined category (please therefore also refer to the comments made in the section below).

The total costs have been smoothed over years 1 to 5 of the plan to provide a more sustainable profile.

The main requirement is for general repairs/disrepair (32%), paths and patios (15%), and bathrooms (10%).

7.3 Future Major Works (£237,122,839 over 30 years)

Future major works are the ongoing renewal of components once they have come to the end of their useful lives (e.g. kitchen and bathroom renewal, re-wiring etc.). Assessment for renewal is made on a 'just in time' principle.

The allowance for future major works appears reasonable, although is at the higher end of a benchmark scale. As stated previously, there is often some difference in interpretation amongst surveyors between catch-up and future major works and it is useful to consider the combined total of these categories. In this case the total for these two work categories is in-line with our expectations (although still towards the upper end).

The main areas of spend are as follows:

- Kitchens £ 54.2 million
- Central Heating £ 38.0 million
- Roofs £ 22.2 million
- Wiring £ 19.9 million
- Bathrooms £ 18.3 million

It is not unusual to find any of these work categories representing a significant percentage of the total allowance, especially when noting that some components (e.g. boilers and kitchens) have lifecycle repeats within a 30 year planning term (i.e. they have a life cycle of less than 30 years).

All renewal projections have been made on a 'just in time basis'. No programmes of work have been accelerated.

The lifecycles used within the survey reflect reasonable benchmark expectations with no significant variations from recommended industry standards.

7.4 Estate Works (£20,000 over 30 years)

The estate works, or related assets, category makes allowance for the repairs and maintenance of assets that are not dwellings nor which are within the curtilage of dwellings.

In this instance allowance has only been made for Long Meadow Pumping Station, as no other related assets were identified. The Council has informed us that the HRA is not responsible for garages.

7.5 Improvements (£25,662,509 over 30 years)

Improvements are typically the provision of features that do not currently exist (e.g. fitting central heating where none is present), or associated enhancements (e.g. increasing loft insulation thickness).

The amount of improvements forecast in this instance is at the high end of our benchmark range.

It should be noted that some improvements (such as the provision of off road parking to meet modern day living requirements) are 'aspirational' and that there is some scope for altering these figures if required (i.e. some improvements can be viewed as a 'shopping list' and can be added or removed). However in some cases improvement works are required in order to achieve the Decent Homes Standard (e.g. insulation to roofs and walls, installation of effective heating etc.) and these improvements must be undertaken if the Standard is to be met.

An allowance has been included for some non-survey items such as bedsit remodelling as these are viewed as important to the sustainability and let-ability of the stock. Ridge noted that tenants in particular view this issue as important.

No allowance has been made for general estate improvement works.

The profile illustrates a need to renew some improvement items on a life cycle basis (hence the higher costs in years 11 to 20).

The requirement for further improvements, to the Stevenage Standard, were derived from the Council's tenant consultation process. These are shown as a 'sensitivity' rather than forming part of the survey report.

7.6 Responsive and Void Repairs (£64,800,000 over 30 years)

The allowance for response and void repairs equates to £250 per unit per annum over the full 30 year period.

The allowances made are in line with our expectations for a local authority responsive and void repairs service and appear reasonable in the context of the assumptions made. However, if the selected option does not provide full funding of the stock condition survey forecasts then the responsive and void budget projections may have to increase.

7.7 Cyclical Maintenance (£63,450,000 over 30 years)

Cyclical maintenance encompasses painting and M&E servicing work (e.g. boiler servicing).

The cyclical maintenance budget is within our benchmark expectations and equates to approximately £245 per unit per annum over 30 years.

A breakdown of this budget is provided within the summary reporting tables, providing a comprehensive list of servicing and redecoration items, with no obvious omissions.

Unlike some comparable authorities Stevenage has a number of lifts associated with high-rise blocks and these are notoriously expensive to maintain.

Savills have illustrated a reducing budgetary requirement to reflect the use of low maintenance products (e.g. PVCu windows) that do not need to be painted. Any change away from the use of low maintenance products would demand that this assumption is re-visited.

This budget heading (correctly) excludes management costs such as grounds maintenance, window cleaning etc.

7.8 Contingent Major Repairs (£20,852,695 over 30 years)

The summary tables include for the following items:

- Asbestos management and removal;
- Unadopted drainage;
- Subsidence;
- Wall tie failure; and
- Lintel/roof/other structural works.

These are all items that we would expect to see included in this category; which makes allowance for known risks that cannot be programmed with any certainty.

A sophisticated risk based assessment methodology has been used by Savills to calculate likely incidence and budgetary need. This produces reasonable allowances within benchmark expectations.

7.9 Exceptional Extensive Works (£12,335,000 over 30 years)

Exceptional extensive works are required, as the category title suggests, usually once to deal with a significant issue that does not appropriately sit within one of the other reporting categories.

An allowance has been made under this category for the structural works identified by Curtins Consulting Engineers for the structural repair and maintenance of the high-rise and non-traditional stock. This allowance does not duplicate the other survey allowances made by Savills.

The engineer's report appears to be a well prepared and robust document that removes any uncertainty about the cost requirements for these units assuming that they are to be retained (no recommendation for demolition and reconstruction was made by the engineer).

Additional allowances have also been made in this category for anti-condensation works and Asbestos removal at the Wellfield Estate. The allowance for asbestos management and removal is based upon the findings of the Council's asbestos survey of the estate and is reported to be reflective of the assessed requirements 'over and above' the renewal of components (made by other reporting categories) to enable this deleterious material to be dealt with effectively. This allowance is also in addition to the allowance included by Savills under Contingent Major Repairs.

7.10 Disabled Adaptations (£18,000,000 over 30 years)

The Council has allocated a budget of £600,000 per annum for both major and minor adaptations; this allowance has been carried forward over the 30 year period.

This is a demand led budget that appears to be average when compared to other authorities.

7.11 Preliminaries

Preliminaries have been included within the rates used to compile allowances within individual cost categories, where applicable.

7.12 Schedule of Rates

The major elements of the schedule of rates have been reviewed as part of the validation process. We are of the opinion that the rates used should be adequate to cover the acquisition of component renewals in this context.

The Council has confirmed that these rates are based on figures achieved in recent planned major works contracts and reflect current market conditions in the local area, based on their existing standards.

It should be noted that any change in life expectancy or standard will affect rates, therefore care must be taken to ensure that any changes (i.e. tenants aspirations) are reflected within the survey, otherwise the modelling and business plan projections will be incorrect.

8. DECENT HOMES

The Savills report confirms that approximately 32% of the Council's stock is currently non-decent and that 92% of the stock are classified as potentially non-decent.

These counts appear reasonable for an authority of this size.

**APPENDIX A – STEVENAGE BOROUGH COUNCIL
SUMMARY COST TABLE**