

BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2008/2009

Portfolio Holder:	Cllr Howard Doe, Community Services
Overview and Scrutiny Committee:	Business Support Overview and Scrutiny Committee
Report from:	Deborah Upton, Assistant Director (Housing & Corporate Services)
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Summary

The purpose of this report is to provide Members with an update on the Housing Revenue Account Capital Programme for 2008/2009.

1 Budget and Policy Framework

- 1.1 The priorities relating to the Housing Revenue Account capital programme form part of Medway's performance plan.
- 1.2 On 31 July 2008 Full Council approved the additional budget of £2,311,217 needed to carry out the Capital Works programme for 2008/2009, which was over and above that originally agreed by Council on 28 February 2008. This was to fully comply with the council's budget and policy framework.

2 Background

- 2.1 Members of the Community Services Overview & Scrutiny Committee at its meeting of 15 January 2008, considered the Housing Revenue Account 2008/2009 budgets.

As part of that report, the 2008/2009 capital programme was given at a total of £2,891,398, which included a figure of £100,000 relating to disabled adaptations to council stock. This original budget was based upon the available in-year funding of £735,000 supported capital expenditure (borrowing) and £2,156,398 major repairs allowance.

- 2.2 The additional financial requirement of £2,311,217 was funded by way of contributions from housing revenue account balances as follows:

Funding Stream	£
Major Repairs Reserve	787,609
Revenue Contribution from 2008/2009 Revenue Account	1,000,000
Revenue Contribution from Housing Revenue Account Working Balance	523,608
TOTAL	2,311,217

- 2.3 The 2008/2009 programme contains works that should have been completed in prior years plus works required in the current year i.e. elements that will fail as a result of their age and condition.
- 2.4 Work was to have been let to 3C's Asset Management (3C's) in early July 2008 after costs and the first phase of works has been finalised with them.
- 2.5 On 22 July 2008 a meeting took place with 3C's to discuss their pricing proposals for capital repairs relating to kitchen and boiler replacements. A further revised price was later submitted for the replacement of pitched roofs. 3C's basis for revising these prices was that the composite schedule of rates codes relating to these replacement items was not economically viable. As such the revised prices were higher than the costs set out in the contract.
- 2.6 To test this a soft market testing exercise was undertaken to compare the costs of the prices submitted by 3C's against the market place. The prices were also compared against the schedule of rates prices within the contract. The result of these exercises showed that work could be undertaken from the marketplace at the prices within the contract.
- 2.7 As a result of the above exercise and further meetings with 3C's a letter was sent to them on 17 November 2008 asking for confirmation that they were prepared to undertake the Capital Works for the schedule of rates prices outlined in the contract.
- 2.8 A letter was received on 19 November 2008 confirming that 3C's would be willing to undertake the Capital Works for the contract prices.
- 2.9 However after further consideration a decision was made to not give the Capital Works directly to 3C's due to the contract management

issues that had been experienced during 2007/2008. A letter was sent to 3C's on 16 December 2008 to this effect.

- 2.10 Although the Capital Programme has not commenced for 2008/2009 a full analysis has taken place with regards to expenditure incurred to date and projections for the remainder of the year. It has also been decided that works carried out to void properties that have been of a capital nature, will be set against this budget, as will works relating to asbestos, both surveys and removal of unsafe materials.
- 2.11 As a result of this, it is expected that works to the value of £1,030,040 will take place within the current financial year. However, monies set aside for works carried out in 2007/2008, primarily for roofing and kitchen replacements have been reclaimed from contractors to a value of just under £246,000, and therefore the anticipated net expenditure for the current financial year is £784,209. The remaining budget of £3,718,406 is expected to be fully expended within the next financial year. Attached as **appendix 1** is a summary of this expenditure.
- 2.12 Extra funding of £600,000 was also transferred from the planned maintenance budget to the disabled adaptations budget to enable the completion of the outstanding works. This was agreed at cabinet on 25 November 2008.
- 2.13 The way in which Capital Works to council properties is identified is also being reviewed in line with the Decent Homes guidance to ensure that the council is only undertaking work that is required to ensure that properties meet this standard.
- 2.14 Specifications for the kitchen, bathroom roofing and door replacement works are currently being drawn up for the Capital Works that were due to take place in 2008/2009. This work will be let via a tendering process from the council's approved list of contractors to enable the work to start as quickly as possible without the need to go through the formal EU tendering process. It is likely that this work will commence in April 2009.
- 2.15 Future years work will be packaged and let as per the councils' procurement guidelines and should commence mid financial year 2009/2010.
- 2.16 Once these packages of work have been produced a detailed programme of works will be brought back to the committee.
- 2.17 The target is to meet the Decent Homes standard by the end of 2010/2011 financial year.

3 Consultation

- 3.1 Officers have consulted with the Medway Residents Group (M.e.R.G.e.) with regards to the detailed Capital Programme for 2008/2009 and the proposals for letting this years capital works and future years.

4 Financial and legal implications

- 4.1 There are no legal implications associated with this report.

5 Recommendations

- 5.1 That Members endorse this report outlining the current position and future proposals for the HRA capital programme.
- 5.2 Members agree that quarterly progress reports will be presented to the Business Support Overview and Scrutiny Committee giving both activity progress against that targeted and financial progress against budget.

Lead officer contact

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Appendices

Appendix 1 - Housing Revenue Account 2008/2009 Capital Programme
Summary

Background papers

The Housing Revenue Account Budget 08-09 committee report presented to
Community Services Overview & Scrutiny Committee, 15 January 2008.

Housing Revenue Account – 2008/2009 Capital Programme Summary

2008/09 Housing Revenue Account Capital Programme Update

Work Type	2008/2009 Budget	Original Number of Units	Projected Unit Cost	Spend to December 2008		Projected Spend 2008/2009	
				Number of Units	Actual Cost	Number of Units	Actual Cost
Communal Bathrooms	£11,250	30	£375	0	0	0	0
Communal Doors	£9,900	33	£300	0	0	0	0
Communal Kitchens	£16,500	33	£500	0	0	0	0
Communal Lifts	£160,000	1	£160,000	1	160,182	1	160,182
External Doors	£272,600	391	£697	50	36,922	81	60,502
External Roofs	£712,110	1,110	£642	7	20,247	7	20,247
External Walls	£7,560	360	£21	0	0	0	0
External Windows	£37,500	15	£2,500	3	5,238	3	5,238
Internal Bathrooms	£811,900	534	£1,520	78	89,387	102	126,509
Internal Electrics	£129,280	97	£1,333	28	20,015	30	21,496
Internal Heating	£973,100	475	£2,049	63	146,936	107	255,674
Internal Kitchens	£1,214,876	473	£2,568	71	137,794	91	176,484
Disabled Adaptations to Council Stock	£716,798	0		12	130,000	18	200,000
Asbestos Surveys	£0	0		417	89,268	577	120,628
Asbestos Removal	£0	0		84	37,670	126	56,505
HRA Garage Review	£20,000	0			0		20,000
3% Contingency	£130,697	0			9,565		13,392
Fees & Preliminaries	£15,342	0			10,022		13,184
Total	£5,239,413	3,552	£172,505		£893,245		£1,250,040

Planned Manintance Subtotal	814	763,245	1,143	1,030,040
Less Accruals Reclaimed		-245,831		-245,831
Revised Total		517,414		784,209

FUNDING STREAMS - ORIGINAL BUDGET	
Total Expenditure	£5,239,413
Financed By:	
- Supported Capital Expenditure (SCER)	£735,000
- Major Repairs Allowance 2008/2009	£2,156,408
- Major Repairs Reserve	£787,601
- Capital Expenditure from 2008-2009	£1,000,000
- Capital Expenditure from Revenue	£560,404
Total Funding	£5,239,413
Difference	£0

FUNDING STREAMS - PROJECTED OUTTURN	
Total Expenditure	£784,209
Financed By:	
- Supported Capital Expenditure (SCER)	£735,000
- Major Repairs Allowance 2008/2009	£49,209
- Major Repairs Reserve	£0
- Capital Expenditure from 2008-2009	£0
- Capital Expenditure from Revenue	£0
Total Funding	£784,209
Difference	£0

