

Agenda Item No:

LONDON BOROUGH OF CAMDEN	WARDS: ALL
REPORT TITLE: Housing Capital Programme Outturn – Quarter Two – 2008/09 Ref no: (HASC/2008/54)	
REPORT OF: Director of Housing & Adult Social Care	
FOR SUBMISSION TO: Executive Member for Homes and Housing Strategy	DATE: 15 October 2008
SUMMARY OF REPORT This report sets out year to date expenditure on the 2008/09 housing capital programme. The report also summarises progress on the implementation of partnered procurement and details changes to housing capital budgets that have occurred since the monitoring report of 23 July 2008. Local Government Act 1972 – Access to information: No documents requiring listing were used in the preparation of this report. Contact Officer: Gavin Haynes, Head of Investment Strategy Tel: 020 7974 3101 E-mail: gavin.haynes@camden.gov.uk	
RECOMMENDATIONS That the Executive Member for Homes and Housing Strategy: <ul style="list-style-type: none">• Notes 2008/09 year to date expenditure, projected outturn and anticipated underspend• Notes progress on the implementation of partnered procurement• Approves the changes and adjustments to scheme budgets in section 6 of the report	

Signed by: Rhys Makinson, Assistant Director of Housing and Adult Social Care:



Date: 7 October 2008

1. PURPOSE OF REPORT

- 1.1 The report provides an overview of expenditure during 2008/09, projected outturn by year-end and details the causes of a projected underspend. It also seeks approval for changes to scheme budgets.

2. YEAR TO DATE EXPENDITURE 2008/09

- 2.1 Target capital expenditure for 2008/09 is £72.128m. This target has been increased by £3.903m due to expenditure brought forward on the Bidborough House refurbishment, £0.049m in additional sustainable construction grants and a £0.032m contribution from the Metropolitan Police. The nominal expenditure target by close of September 2008 was £32.960m and outturn against this was £15.742m, an underspend of £17.218m. The primary cause of this underspend is the delay in the Executive's decision to implement partnered procurement and a previous decision to re-schedule £17m of Raising the Standard projects and recycle the funding for the decent homes programme.

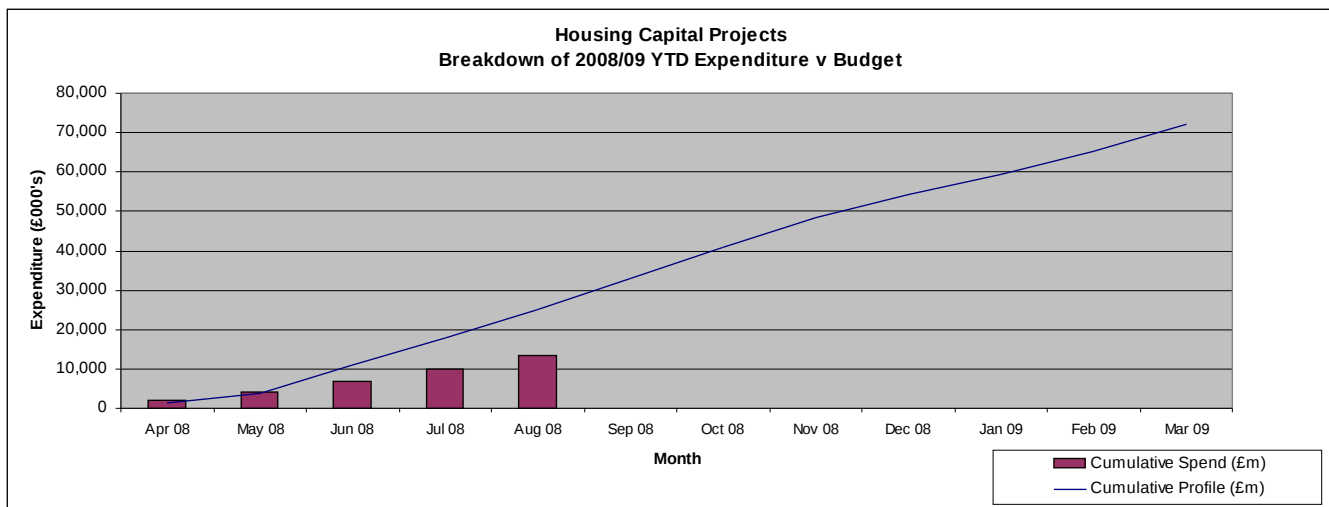


Figure 1 – Expenditure Against Profile

3. PROJECTED EXPENDITURE 2008/9

- 3.1 Table 1 shows target expenditure of £72.128 million for 2008/09 and shows that spend to date is £15.742 million against a notional target of £32.960 million.

Month	Monthly Spend (£m)	Monthly Profile (£m)	Cumulative Spend (£m)	Cumulative Profile (£m)
Apr 08	2,068	1,277	2,068	1,277
May 08	1,952	2,546	4,020	3,823
Jun 08	2,999	7,009	7,019	10,832
Jul 08	2,901	7,028	9,920	17,860
Aug 08	3,304	7,084	13,224	24,944
Sep 08	2,518	8,016	15,742	32,960
Oct 08		7,854	23,596	40,814
Nov 08		7,720	31,316	48,534
Dec 08		5,658	36,974	54,192
Jan 09		5,366	42,340	59,558
Feb 09		5,628	47,968	65,186
Mar 09		6,942	54,910	72,128

Table 1 – Nominal Expenditure Profile – 2008/9

3.2 The key factors in the 2008/09 underspend are:

- Delayed award of the partnering contracts. When the first review was compiled the Council expected a late June or July start on site and projected expenditure of £14m on decent homes and £4m on mechanical and electrical works. Pilot schemes are now due to start on site in October and anticipated expenditure is £8m for decent homes and £0.545m for mechanical and electrical works. This comprises a total projected underspend of £9.455m.
- The projected expenditure on mechanical and electrical works is particularly affected by the long lead in times whilst the design solution is developed, leaseholder consultation and the need to avoid works to district heating systems at the start of the 'heating season'
- Curnock Street Heating – it has been determined that this scheme should be delivered through the partnering contract rather than tendered. There will be some design expenditure this financial year however there is a likely underspend of £1.4m
- Bucklebury – as with Curnock Street Heating, this scheme will now be delivered via the partnering contract, anticipated underspend in 2008/09 is £0.464m

3.3 Based on the nominal profile in Table 1, established at year-beginning, the revised expenditure target for 2008/09 is £54.9m. A detailed analysis of forecast expenditure across scheme budgets provides a more accurate target of £51.9m.

3.4 This target is felt to be reasonable however outturn may be further affected if works are delayed to the Arlington Road hostel. The Council has projected £11m of grant funded expenditure at Arlington Road during 2008/09 of which £2.389m has been spent. The situation at Arlington Road is being monitored closely and more detail on anticipated expenditure will be reported in the quarter three monitoring report in January 2009.

4. PARTNERING THE CAPITAL PROGRAMME

4.1 On 25 June 2008 Executive approved the award of partnering contracts to two firms, Apollo London and Lakehouse. These contractors will deliver the Council's Decent Homes and Mechanical and Electrical (M&E) capital programmes. Following an intensive mobilisation period, survey work started in September 2008 and works will start on site in October 2008.

4.2 In total the year one decent homes programme will deliver works to at least 2,300 tenanted properties and over 800 leasehold properties. The total value of the programme is £27m, of which £8m is expected to be spent during 2008/09. Schemes for year two of the programme will be recommended to Executive in the New Year.

4.3 The Council has been reviewing the M&E priority programme with the partner contractors. A range of schemes has been selected for year one of the programme and design work has commenced. This comprises improvements to district heating works, upgrades of estate electrical supplies and improvements to lifts.

4.4 Of the remaining Pride of Place programme three pipeline schemes are to be transferred to the partnering programme. These schemes are repairs to windows at Maiden Lane, decorations and electrics to Holly Lodge communal areas and Raising the Standard works at Spedan Close. This may lead to a slight delay to works starting on site, however, it is felt that transferring these schemes to the partners will lead to more efficient delivery of works and savings on consultants' fees.

5. FORWARD CAPITAL PROGRAMME

5.1 The resources for the Housing Capital programme as at September 2008 are set out below:

Financial Year	Housing Capital Resources £(m)
2008/09	72.13
2009/10	84.68
2010/11	106.30
2011/12	63.02
2012/13	51.81
2013/14	7.36
Total	385.28

Table 2 – Future capital resources

5.2 It should be noted that Table 2 includes £98.5m from capital receipts yet to be secured from the empty property sales programme.

6. ADJUSTMENTS TO SCHEME BUDGETS

Amphill Square

6.1 A report has been received from the consultant, Sprunt, detailing increased costs on this project. The Council will be examining this report and working with the consultant to finalise the projected increase. In the meantime it is recommended that the scheme budget is increased by £2,365,321 through a virement from contingencies. The budget is currently £19,098,524 and will increase to £21,463,845 once this virement is made. The areas of cost increase are summarised below:

- Additional works to the estate gas supply
- Changes to railings and gates designs
- CCTV variations
- Door entry and access control variations
- Pigeon deterrent and light specification changes
- Ground floor intake cupboard improvements in high rise blocks
- Works to provide cold water booster pumps to high rise blocks
- Improvements to rising and lateral mains (estate electrical supply)
- Works to provide surface water drainage, attenuation and associated works

6.2 A fuller report on Amphill Square, and a summary of progress on other Raising the Standard schemes, is being prepared for November Executive. The report will also be informed by discussions with the consultant and contractor that will scrutinise these areas of cost increase.

6.3 This report seeks approval for a virement of £2,365,321 from the contingency budget to Amphill Square (CHH6 2426).

Incorrect Returns to Contingency - Cobden House (CHCT 3003), Bridgeway (CHCT 2996)

6.4 During the compilation of the first review in May 2008, sums were returned to contingency in error on two schemes. These were £488,000 on the Cobden House scheme and £545,000 on the Bridgeway scheme. It is recommended that these sums are returned to scheme budgets.

Return of capital receipts income to the Investing in Camden's Homes programme

6.5 During the first review £114m of capital receipt income was added to the housing capital programme. The 2012/13 housing capital programme report, approved by Executive in July

2008, finalised the allocation of these resources along with £36.85m of 2012/13 housing capital resources. The allocation of resources approved by the July report is summarised below:

Programme Heading	Allocation £(m)
Investing in Camden's Homes	139
Sustainability Strategy	1
Project Management	2.25
Stock Condition Survey	0.5
Disabled Facilities Grants	0.5
Contingency	7.6
Total	150.85

Table 3 – 2012/13 Housing Capital Programme allocations

- 6.6 The allocation of £7.6m to the contingency budget included £1.9m earmarked for Major Repairs and Voids block provisions. The remaining £5.7m is earmarked for the *Investing in Camden's Homes* programme to fund decent homes and mechanical and electrical works. This report recommends that £5m is transferred from contingency to the decent homes budget (CHPT 3602) and £0.7m to the mechanical and electrical budget (CHPT 3604).

7. CONTINGENCIES

- 7.1 The opening contingency balance is £30.643m. The table below sets out the movements approved prior to this report, but yet to be actioned, and further movements recommended by this report. If the recommended changes are made the closing balance is £19.393m.

	Movements £ ('000s)	Balance £ ('000s)
Opening balance		30,643
Movements approved prior to this report still to be actioned:		
Transfer of RCCO income to Major Repairs budget	(1,235)	
Transfer of RCCO income to Major Voids budget	(710)	
Gordon Mansions (CHHB 2907)	(407)	
Reversal of contingency allocation to CHCC 3558	200	
Revised balance		28,491
Movements recommended in this report		
Ampthill Square cost increase	(2,365)	
Return of funds from contingency to Cobden House (CHCT 3003)	(488)	
Return of funds from contingency to Bridgeway (CHCT 2996)	(545)	
Transfer of capital receipt income to DHS budget (CHPT 3602)	(5,000)	
Transfer of capital receipt income to M&E budget (CHPT 3604)	(700)	
Closing balance		19,393

Table 4 – Changes to contingency balance

8. COMMENTS OF THE DIRECTOR OF FINANCE

- 8.1 This report updates the Executive member on capital expenditure to date in 2008/09, which is currently £17.218m below profile (paragraph 3.1). The delay in implementing the new partnering contracts mean that an underspend on the 2008/09 programme of £20.2m is forecast. This will mean that additional unused resources e.g. RCCOs and capital receipts are carried forward into 2009/10 to fund the programme when it is delivered.
- 8.2 Paragraph 5.1 outlines a total programme from 2008/09 onwards of £385.283m following changes to the 2012/13 programme. The reductions to contingency contained in this report leave the capital programme with a contingency of £19.393m or 5% of the total. This is not a large amount to cover any potential events over the next five years so it is essential that costs of schemes are tightly controlled and contained within the agreed capital programme budgets.
- 8.3 The proposed £2.3m increase to the Ampthill scheme budget is significant. At a time of scarce resources such increases need thorough justification and to be considered against the programme as a whole. It is essential for the successful delivery of the overall programme that future schemes are managed within the budgetary parameters agreed by the Executive.

9. COMMENTS OF HEAD OF LEGAL SERVICES

- 9.1 The Head of Legal Services has been consulted and there are no specific legal implications arising from this report.