



Report to Assets, Development and Investment Committee

12 February 2015

Title: Capital Programme 2014-15 – Third Quarter Update

Report of: Director of Customers and Communities

Purpose of summary

1. To provide the committee with an update on the delivery of the current year's capital programme at the end of the third quarter.

Background

2. The current year's capital programme was approved by Cabinet on 6 February 2014 and the breakdown at Appendix 1 and sets out the current investment schemes being delivered.
3. The capital programme is developed and managed by the Investment and Development service. Schemes are prioritised based on stock condition, repairs history and performance data. The performance of delivery partners is managed to ensure that schemes are delivered on time, on budget and to the satisfaction of customers, with emphasis on achieving value for money. Our main delivery partner is Gateshead Council's Construction Services.
4. As reported to the Committee previously, we are currently undertaking a stock condition survey to a sample of properties in order to refresh stock condition information and to ensure asset data accurately reflects the investment needs of the stock. The surveys are being undertaken by an external partner and the findings will be used to give a revised baseline position. This will be further informed by an ongoing programme of stock condition surveys to the remainder of the stock not covered in the sample. The scope of the work will focus on all aspects of investment, crucially looking at areas that were not included within the decent homes programme and that are impacting on estate and tenancy sustainability.
5. The Board recently received a presentation on the next steps arising from the stock condition survey, which will involve using the findings to further develop a new asset strategy and will look to capture investment priorities. Part of this work will re-shape the capital programme over the next five years and inform decisions and assumptions in the Housing revenue Account (HRA) 30 year plan.

2014/15 Capital Programme

6. The headline budgets within the capital programme are listed in Appendix 1. Maintaining Decency represents the single largest area of capital investment.
7. Since the completion of the Decent Homes programme, the capital programme has focused on the renewal of key internal elements within the stock to prevent properties falling into non-decency. Typically this has included bathroom and kitchen replacements, boiler and heating distribution systems and electrical upgrades.
8. A summary of performance at the end of the third quarter is given below and broken down by the various budget headings:-

Health and Statutory Obligations

- Based on maintenance reports and recommendations from insurance inspections, lift replacement works were identified as being necessary at Park, Peareth and Priory Court. Works commenced during 2013/14 and all of these blocks were completed in the first half of this year. The replacement of both lifts at Eslington Court is currently in progress. One of the lifts is scheduled for completion during February, with the other lift expected to complete in April / May 2015. A budget provision to reflect this work completing in the financial year 2015/16 has been made. In addition, part of the budget this year has been used to procure an external consultant to produce a standard specification for lift upgrades going forward and to prioritise future programmes.
- Communal Electric upgrades commenced at the four Australia blocks during 2013/14 and spanned into the current financial year. The final block to receive works was Sydney Court and this concluded in July 2014. The next block to receive works was St Cuthbert's Court. Works commenced in November 2014 and are due for completion in February 2015.
- Equality Act works to seven communal lounges in sheltered schemes are being delivered this year and at the end of December, three schemes had completed (Crocus Court, West Acres and Kay's Cottages) with the remaining four currently either on site or programmed in with a target completion by the end of March 2015.
- Equality Act works to multi story flats – A rolling programme of works to multi story blocks are under way. Six blocks are programmed to receive works this year with three practically complete at Barford and Stretford Court and Crowhall Towers, with minor snagging issues currently being resolved. The remaining three blocks (Bensham Court, Newbolt and Tennyson Courts) are currently in progress and are expected to complete before the end of March 2015.
- Fire Safety Works – Residual signage and alarm works completed at sheltered schemes following delivery of main fire safety measures during previous years.

Maintaining Decency

9. The Maintaining Decency programme is comprised largely of internal upgrades to properties with individual elements such as re-wiring, boiler replacement, kitchen replacements and bathroom renewals. During the first quarter works were underway on estates from the previous year with the 2014/15 programme commencing in June 2014. Following surveys and validation of works required, 667 properties were identified as requiring works.
10. Over the last two years there has been a trend of around 20% reduction in programmed planned works following validation of works required and property surveys. To compensate for this we have worked to identify “reserve” estates that can be accelerated in the event of there being available budget.
11. As of the end of December, 390 properties had been commenced with works complete to 366 of them. Progress against the programme is reviewed monthly through both progress and operational meetings with Construction Services and additional reserve schemes have been identified which can be released for delivery subject to available budget. Should there be no requirement to release further schemes, these reserve estate will be included in the following years programme.
12. In addition to the internal decency items referred to above, packages of investment works have been specified for particular property types that have been identified as having recurring issues through repairs and maintenance trends. This has included insulation works to properties known to have condensation issues arising around cold spots on ceiling areas.
13. A significant package of internal and external works to 147 properties at St James’ Village has also been undertaken this year. This scheme commenced during September 2014 with a target completion date of June 2015 with properties receiving roof renewals, window replacements and insulation measures to both communal areas and individual flats where condensation issues have been evident previously.
14. In relation to the window replacement programme, 686 properties were due to receive works this year and at the end of December 2014, 456 had been completed. It is expected that the remaining properties will complete prior to the end of March 2015. The window programme for 2015/16 is subject to a separate report on this agenda. The procurement exercise that was undertaken during 2013 to appoint a new contractor will mean that the 2015/16 programme will follow on from this year without any break in delivery.

Other Priorities

15. In addition the following schemes are currently in the Capital programme;
 - Tunstall Carecall Scheme – 20 schemes have benefited from upgrades to the Carecall system during this year with all works completing in January.
 - One off heating Replacements – Although delivered through the repairs contract, these works are funded through the capital budget. At the end of December around £424,000 of works had been delivered against a budget of £750,000. The expectation is that this budget will spend by the end of

the year with a higher number of appliances tending to fail during the winter months.

- Energy Efficiency Works - A programme of External Wall Insulation (EWI) works mobilised in December 2013 and continued to be progressed during the first part of this financial year, despite a reduction in external funding being announced in March 2014.
16. A number of properties that had been identified to receive works had to be deferred as alternate funding was not available at the same levels. There are approximately 150 properties on the Leam Lane Estate where works had commenced, which are proposed to be included in the 2015/16 Capital Programme, using funding through Gateshead Council's Warm Up North initiative. The works are to non-traditional house types that are known to provide poor energy efficiency and contribute to high fuel bills for customers.
 17. Subject to Stock Condition surveys, works to similar properties are likely to feature in future capital schemes and wherever possible the works will be supplemented by external funding.
 18. In terms of spend, at the end of the third quarter around 48% of the capital budget had been spent with works progressing well on all schemes. The maintaining decency budget, which has historically proved to be challenging due to high volumes of individual properties and variations in works is currently at 68% completion.
 19. Any works that do not complete by year end due to programming issues have been factored into forecasts for the 2015/16 capital programme. A revised Capital Programme for the period 2015-2020 was approved by Cabinet on 27 January 2015 and is attached at Appendix 2, although it is anticipated that future years programmes will be subject to change and will be informed by the stock condition information and emerging investment needs of the stock. . Progress against the schemes that TGHC manage will continue to be reported to this committee.

Links to Values

20. This report relates to the following company values: -
 - Being honest, accountable and transparent
 - Being a listening and learning organisation

Impact on tenants

21. Having concluded the Decent Homes programme in 2011, we continue to invest in maintaining decency of the housing stock to protect the asset and to benefit customers.
22. Satisfaction surveys are carried out with all tenants and leaseholders who receive investment works. These satisfaction surveys have now been split to ensure that we can gather improved data on satisfaction across all of the different elements of investment work. This will help to improve the service to customers when they receive works. At the end of December 2014, 99.75% of customers expressed satisfaction with the improvements made to their homes.

23. Customers will benefit from the Equality Act works improving entrance access and toilet facilities to communal areas.

Health Implications

24. The improvement works detailed in this report, will have a significant impact on the health and wellbeing of customers, in particular works to improve the thermal efficiency of properties through boiler and window replacements and insulation works.

Environmental Implications

25. Through the maintaining decency programme and the one off heating replacement works, properties that have the oldest most inefficient heating systems will receive replacement boilers this year. The EWI works carried out this year to harder to heat properties along with window replacement works will reduce substantial carbon emissions through reductions of heating usage.

Risk Management Implications

26. The failure to maintain decency has been identified as a strategic risk and controls and future actions have been agreed to mitigate the risk. The Strategic Risk Register is reviewed annually by the senior management team and monitored by the Board. Works are continuing to renew/refurbish lifts in multi-storey blocks and sheltered schemes as well as Equality Act works.
27. The fire safety works that have been delivered to date have addressed deficiencies that were identified by officers from TGHC and the Tyne and Wear Fire and Rescue Service (TWFRS) and will mitigate risks in properties occupied by some of our most vulnerable customers. We are currently working to review our approach to fire risk assessments in partnership with TWFRS to identify potential preventative measures that could be included in future capital schemes.

Financial Implications

28. The capital programme is being delivered within existing budget and we are constantly looking at opportunities to maximise value for money and attract additional funding to supplement capital delivery.

Equality and Diversity Implications

29. The Equality Act works delivered will improve accessibility to seven sheltered blocks. Measures include improved entranceways as well as DDA compliant toilet facilities

Value for Money Implications

30. Value for money is a key driver in delivering an efficient and effective investment programme. Discussions have been held with suppliers around their costs to ensure that we are continuing to receive the best quality products at a reasonable price. We will continue to manage the investment works to ensure that the contractors provide value for money in their approach to the works.

Consultation carried out

31. Consultation has been carried out for:-

- Maintaining Decency – drop in events are held for residents whose homes are due to have heating or bathroom, kitchen replacement works.
- Residents meetings have been held relating to lift replacement works.
- Works within Sheltered Schemes are communicated to residents prior to schemes commencing with an opportunity for them to ask questions.
- Ward Councillors have been updated and advised of the Capital scheme proposals in their wards.
- EWI – Ward members were consulted and updated prior to these works commencing and have been kept informed of the changes throughout the scheme.

Recommendation

32. The views of the committee are sought on satisfaction with the third quarter position update in relation to the Capital Programme.

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Appendix 1 - 2014/15 Housing Capital Programme

HRA Capital Programme 2014/15

Category	Project	13/14 Slippage	14/15 Original Budget	Total 14/15 Funding	Quarter 3 Revised Budget	Spend At End Of December
Health and Safety	Lift Replacement/Refurbishment	0	500	500	427	294
	Replacement of Communal Electrics	350	200	550	317	149
	Equality Act Works - Multi Storey Flats	150	250	400	412	148
	Equality Act Works - Communal Lounges	0	110	110	119	64
	Fire Safety Works to Multi Storey Flats	0	25	25	25	0
	Fire Safety Works to Sheltered Schemes	0	100	100	112	38
		500	1,185	1,685	1,412	693
Contractual	Programme Maintenance	0	1,000	1,000	1,000	750
Obligations	Strategic Maintenance	0	2,100	2,100	1,750	1,016
		0	3,100	3,100	2,750	1766
Maintaining Decency	Maintaining Decency	2,000	7,200	9,200	9,675	6,645
Other Priorities	One Off Heating Replacements	0	750	750	750	424
	Warden Call	0	250	250	251	116
	Window Replacement	250	1,000	1,250	1,341	557
		250	2,000	2,250	2,342	1,097
	Total TGHC Cap Prog 14/15 (excl Est Regen)	2,750	13,485	16,235	16,179	10,201

Appendix 2 – HRA Capital Programme

HRA CAPITAL PROGRAMME 2015/16 - 2019/20					
Project	2015/16 (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Lift replacement / refurbishment	575	500	500	500	500
Replacement of Communal Electrics	250	250	250	250	250
Equality Act Improvements	370	350	250	250	250
Fire Safety	250	-	-	-	-
Adaptations	1,500	1,500	1,550	1,550	1,550
Total Health & Safety	2,945	2,600	2,550	2,550	2,550
Programme Management	1,000	1,000	1,000	1,000	1,000
Strategic Maintenance	2,100	2,100	2,100	2,100	2,100
Estate Based Improvement Works	5,795	8,750	10,500	10,750	11,000
Total Maintaining Decent Homes	8,940	11,850	13,600	13,850	14,100
External Improvement Works	3,640	1,500	3,500	3,500	3,500
Regent Court Improvement Works	1,500	3,000	-	-	-
District Energy Network Connections *	1,275	-	-	-	-
Heating Upgrades	1,150	1,150	1,150	1,150	1,150
Total Energy and Sustainability	7,565	5,650	4,650	4,650	4,650
Chandless *	120	-	-	-	-
Dunston *	625	-	-	-	-
Clasper Village *	1,020	-	-	-	-
Bleach Green *	1,220	-	-	-	-
Older Persons Strategy *	200	-	-	-	-
Public Realm Improvements	290	350	350	350	350
Total Estate Regeneration	3,475	350	350	350	350
Door Entry Upgrades	250	-	-	-	-
New Build Development *	50	-	-	-	-
Warden Call	250	250	250	250	250
Window Replacement	1,000	1,000	1,000	1,000	1,000
Total Other Priorities	1,550	1,250	1,250	1,250	1,250
TOTAL CAPITAL INVESTMENT	24,475	21,700	22,400	22,650	22,900

N.B. The above table includes all proposed HRA Capital expenditure over the next five years. Those budgets marked with a * are managed by Gateshead Council and would not routinely be reported to this committee.