

HOUSING REVENUE ACCOUNT

KEY VARIANCES & ISSUES – FEBRUARY 2015 PROGRAMME UPDATE

The proposed February programme update totals **£232,800,000**. This can be compared to the previous September update total of **£198,996,000** resulting in an increase of **£33,804,000**, which represents a percentage variance of **17.0%**.

The changes to the programme are shown in the following summarised table:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 & Later £000	Total £000
Proposed	34,929	65,546	46,641	34,530	28,659	22,495	232,800
Previous	46,404	52,586	35,326	31,791	32,014	875	198,996
Variance	(11,475)	12,960	11,315	2,739	(3,355)	21,620	33,804

A large proportion of the increase (£21,620,000) is due to the addition of new ‘unapproved’ schemes, following the extension of the programme to 2019/20. The updated programme also includes a new scheme for the Provision of Social Housing with a total value of £12,272,000 (HRA 1) and an approved increase of £4,785,000 in the Thornhill District Energy Scheme (HRA 2). The remaining variance, a net reduction of £4,873,000, is a combination of scheme variations following a re-assessment of priorities informed by the new stock condition database. Two significant scheme increases (HRA 3 and HRA 4) have been funded by a series of more minor reductions across a range of schemes.

There is a significant re-phasing of the programme between the current year (2014/15) and the following year mainly due to the further development of the programme of delivering the Thornhill District Energy Scheme and associated ECO works which has been completely reworked over the last year to deliver a workable scheme within the funding restrictions now available under ECO. Further detail on significant programme changes is detailed below.

PROGRAMME CHANGES:

HRA 1 – Provision of Social Housing Scheme (Total budget change £12,272,000 increase)

Gold Scheme– £12,272,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There has been an addition to the programme for the replacement of properties sold under the ‘right to buy’ legislation.

It is recommended that Council add a scheme to the New Build section of the HRA Capital Programme to provide for the replacement of properties sold under the 'right to buy' legislation. The provisional total cost is estimated as £12,272,000, phased £6,136,000 in 2016/17 and £6,136,000 in 2017/18. The scheme will be funded with retained 'right to buy' receipts of £3,682,000 (30%), under the agreement between SCC and the Department for Communities and Local Government (DCLG), with the balance met from borrowing. Full details of the scheme will be included in a future scheme approval report.

HRA 2 – Thornhill District Heating Scheme (Total budget change £4,785,000 increase)

Gold Scheme – £12,821,000 Scheme Budget

Overall RAG Status Awaiting Project Documentation

The budget has been increased in line with a recent Council report.

On the 19 November 2014, Council approved an increase in the Thornhill District Heating Scheme budget of £4,785,000, part funded by an ECO grant of £4,190,000. The scheme was given capital expenditure approval, in accordance with Financial Procedure Rules, and the Director, Place was given delegated authority to enter into negotiations with the preferred Delivery Partner to design and build a suitable scheme that represents the best value for the residents of Thornhill and for the Council.

HRA 3 – Structural Works - Future Years (Total budget change £5,059,000 increase)

Gold Scheme – £7,622,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There has been an addition to the programme for the provision of structural works throughout the city.

A major analysis of the Council's dwellings is being undertaken using the new stock condition database. This has prompted the transfer of resources to the areas and dwellings in most need. Whilst the Council properties are all maintained in accordance with the Decent Home Standard and are all structurally safe and sound the review has identified additional structural works needed to properties to maintain them in a good condition. Therefore, additional resource has been put into the Structural Works programme from 2016/17 onwards to ensure our properties remain in a good condition.

HRA 4 – Electrical Systems - Future Years (Total budget change £7,615,000 increase)

Gold Scheme – £9,304,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There has been an addition to the programme for the provision of Electrical Systems.

A major analysis of the Council's dwellings is being undertaken using the new stock condition database. This has prompted the transfer of resources to the areas and dwellings in most need. Traditionally under the old Decent Homes standard electrical systems in properties did not attract the same level of priority as kitchens and bathrooms. Therefore as part of the review we have identified a large number of properties where the wiring system is due for modernisation. Therefore, additional resource has been put into the Electrical Systems programme from 2015/16 onwards to ensure we bring all properties up to modern wiring standards over the next few years.

MAJOR ITEMS OF SLIPPAGE/RE-PHASING:

HRA 5 – Energy Efficiency Works (Slippage of £4,292,000 between 2014/15 and 2015/16)

Gold Scheme – £15,478,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There have been delays in this project due to a re-prioritisation of work.

A decision on the work to be included within this scheme was delayed until the proposals for the revised Thornhill District Energy Scheme had been completed and approved. Now that we have an agreed project in Thornhill it is possible to formally compile a full programme of works across the City with our delivery partners in order to maximise the funding opportunities into the City before April 2017 under the current ECO funding scheme.

HRA 6 - Townhill Park Design & Contract Phases 1 - 3 (Slippage of £1,073,000 between 2014/15 and 2015/16)

Gold Scheme – £11,800,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

The expenditure on the Estate Regeneration project has been re-profiled.

Following detailed consultation and engagement with the local community we are reviewing the detail for the Stage C design for this Estate Regeneration scheme to best reflect the requirements identified. The designs are also complicated by the complexities and varied topography of the site, requiring the development and detailing of the proposals to take more time to resolve than originally anticipated.

HRA 7 – Supported Housing 2 Storey Walkway Repairs (Slippage of £1,555,000 between 2014/15 and 2015/16)

Bronze Scheme – £6,790,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There have been delays caused by the contractor entering administration.

Spend on this scheme has been delayed due to the selected contractor being placed in administration. The Council has commenced an accelerated process to bring in a new contractor with a view to recommencing the programme as soon as possible in 2015/16. All schemes within the original programme will still be delivered.

HRA 8 – Roof Finish Flat (Slippage of £800,000 between 2014/15 and 2015/16)

Bronze Scheme – £4,463,000 Scheme Budget

Overall RAG Status AMBER

Schedule RAG Status AMBER

Budget RAG Status AMBER

There has been slippage on this programme due to delays in tendering.

The tender process is currently ongoing for work that is set to be delivered over a two year period. A programme of delivery has been provided and the compiling of the project documentation is in progress. However, works are not now expected to commence until April 2015. This does not affect our ability to respond to any emergency roofing works.

HRA 9 – Windows (Slippage of £700,000 between 2014/15 and 2015/16)

Gold Scheme – £3,703,000 Scheme Budget

Overall RAG Status GREEN

Schedule RAG Status GREEN

Budget RAG Status GREEN

There has been slippage on this programme due to delays in formalising contracts.

The Windows programme is running in conjunction with the Energy Efficiency Works scheme (see HRA 5 above). Therefore the spend profile is being aligned to the programme of delivery within the ECO scheme.

HRA 10 – Communal Area Works (Slippage of £500,000 between 2014/15 and 2015/16)

Silver Scheme – £1,823,000 Scheme Budget

Overall RAG Status Awaiting Project Documentation

There has been slippage on this programme due to the design process.

Due to staff resources being prioritised to support other major projects in the programme there have been some small delays in the design and tender process for work in some of our communal areas. All projects will continue but this has meant that the work will now be delayed into 2015/16.

HRA 11 – Various Refurbishment of Lifts Schemes (Total slippage of £1,525,000 between 2014/15 and 2015/16)

Silver Schemes – £2,138,000 Total Scheme Budgets

Overall RAG Status Awaiting Project Documentation

There has been slippage on this programme due to design delays and the impact on the procurement of a suitable contractor.

There have been delays in the design of the lifts for the various programmes. This has had a knock on effect to the procurement of a suitable contractor to complete the work. The project managers are working with Capita colleagues to address these issues and mitigate any further delays. However, these programmes are not now due to commence until 2015/16.

Note on Gold/Silver/Bronze Project Status

Each project is evaluated to determine whether it is 'Gold', 'Silver' or 'Bronze'. The evaluation is based on the risk and complexity of the project with the highest risk and most complex projects categorised as 'Gold'. The Project Manager will follow a simpler process for a Bronze project than for a Gold project.