

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - COMMUNITY 4 SEPTEMBER 2012

EXECUTIVE
18 SEPTEMBER 2012

KITCHEN AND BATHROOM REPLACEMENT PROGRAMME

1. PURPOSE OF THE REPORT

- 1.1 To seek approval for increasing the housing capital programme for the next three years to accelerate the programme of kitchen and bathroom replacement in the Council's housing stock.

2. BACKGROUND

- 2.1 The Council aims to replace kitchens and bathrooms in its stock every 20 years. With 5000 properties, this should equate to 250 a year. As much of the stock was built in the 1930s and 1950s, there is a natural "spike" of demand every so often. The current kitchen refurbishment programme started in 2005/06 and around 200 kitchens a year were installed up to 2010/11. The bathroom refurbishment programme started in 2006/07 and around 82 bathrooms a year were installed up to 2010/11. The latest HRA 30 year business plan approved in March 2012 sought to eliminate the demand spikes as far as possible, flattening the replacement profile to a constant level over the plan period. However, failures in the delivery of the kitchen and bathroom replacement contracts has led to an under-spend on the capital budget since 2010/11 and a backlog in the programme. This report seeks to reverse the impact of this and kick-start the replacement programme so that it can get back on track as per the HRA business plan.
- 2.2 Members will remember that, when the kitchen and bathroom replacement contract was re-tendered in 2010/11, the successful contractor went into administration after six weeks having completed 20 kitchens and no bathrooms. The contract was taken over by another contractor but after six months they handed back the contract because it was not economically viable. They had completed 97 kitchens and 50 bathrooms. In October 2011, the Kitchen and Bathroom contract was re-tendered once again and the lowest tendered rates came back even lower than the previous tendering process. Concerns were raised over the risks involved in awarding the new contract at these very low rates because previous contractors were unable to deliver the higher rates and this had resulted in the programmes falling behind. As a result, officers proposed a new way of delivering the Kitchen and Bathroom programmes using multiple contractors at the same rate called the Total Project Delivery (TPD). After a successful trial period, the scheme was approved by Committee in July 2012.
- 2.3 The current capital programme for 2012/13 is £1.794M and will deliver 291 kitchens (£1.3m) and 214 bathrooms (£494k) using three contractors – Spectrum, D R Jones and MD Building.
- 2.4 However, the impact of the failure of the contracted programme in 2010 and 2011 on the Council's housing stock has been highlighted by the Housing Stock Condition Database and a significant proportion of the stock is likely not to meet the Decent Homes standard if no action is taken:

Year	Kitchens	Bathrooms
2012/13	1002	650
2013/14	190	155
2014/15	116	67
Total	1308	872

2.5 The figures in 2012/13 include the backlog properties attributed to having two years where the programmes have not been achieved due to contractor performance as mentioned above.

3. PROPOSAL

3.1 It is proposed to bring the kitchen and bathroom programmes back on track and to prevent further spikes in the programme with increased investment over the next 3 years. This would be achieved as follows:

2012/13

3.2 To increase the capital programme by £1.775M, funded from the revenue contribution to capital, to deliver an extra 276 kitchens and 136 bathrooms by the end of March 2013. This will be achieved by increasing the installation rates of the three existing contractors and bringing a fourth contractor, Mi-Space (Midas), into the TPD scheme.

3.3 The additional funding required to carry out these works is £1.25m for kitchens and £370K for bathrooms, £105K for associated asbestos surveys and licensed asbestos removal and £50K for additional staff to manage the increased programme.

2012/13	Current		Proposed	
	Programme	Budget £000s	Programme	Budget £000s
Kitchens	291	1,600	567	2,850
Bathrooms	214	360	350	730
Asbestos surveys	300	150**	500	180
Asbestos removals	151	250**	275	325
Staff	2.5 FTE	67*	4.5 FTE	117*
Total		2,360		4,135

*£67K staff budget funded from revenue

** This is the budget for all housing asbestos surveys and removals

2013/14

3.4 To increase the capital budget from £1.8m to £4m to provide 516 kitchens and 368 bathrooms using the four contractors on the TPD scheme.

3.5 The additional funding required to carry out these works is £1.5m for kitchens and £430K for bathrooms, £219K for associated asbestos surveys and licensed asbestos removal and £50K for additional staff to manage the increased programme. This is an additional £2.2m on what is currently set out in the Housing Revenue Account Business Plan.

2013/14	Current		Proposed	
	Programme	Budget £000s	Programme	Budget £000s
Kitchens	194	900	516	2,400
Bathrooms	215	600	368	1,030
Asbestos surveys	245	100**	530	160
Asbestos removals	122	200**	265	359
Staff	2.5 FTE	67*	4.5 FTE	117*
Total		1,800		3,999

*£67K staff budget funded from revenue

** This is the budget for all housing asbestos surveys and removals

2014/15

- 3.6 To increase the capital budget from £1.8m to £4.1m to provide 516 kitchens and 368 bathrooms using the four contractors on the TPD scheme.
- 3.7 The additional funding required to carry out these works is £1.57m for kitchens and £460K for bathrooms, £219K for associated asbestos surveys and licensed asbestos removal and £50K for additional staff to manage the increased programme. This is an additional £2.3m on what is currently set out in the Housing Revenue Account Business Plan.

2014/15	Current		Proposed	
	Programme	Budget £000s	Programme	Budget £000s
Kitchens	188	900	516	2,470
Bathrooms	209	600	368	1,060
Asbestos surveys	238	100**	530	160
Asbestos removals	119	200**	235	359
Staff	2.5 FTE	67*	4.5 FTE	117*
Total		1,800		4,099

*£67K staff budget funded from revenue

** This is the budget for all housing asbestos surveys and removals

- 3.8 The impact on the decent homes position is summarised in the following table and shows that, after three years of increased investment, the programme will be back on track and can be reduced to the levels originally planned:

	Kitchens			Bathrooms		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Brought forward	1002	435	109	650	300	87
Additional in year	-	190	116	-	155	67
Removed in year	567	516	516	350	368	368
Remaining non-decent	435	109	(291)	300	87	(214)

- 3.11 There are a number of risks that will need to be considered that may impact on this enhanced programme delivering the required number of kitchens and bathrooms in the housing stock. These are:
- The contractors failing to perform as required. Officers will need to monitor this closely and report back to Members on the progress on a regular basis.
 - Tenants not responding to or providing access for asbestos surveys and refusals. This will require the Neighbourhood Management Team and Contracts unit working closely with tenants to reduce this risk.
 - The asbestos surveying company being able to carry out the required asbestos reports in line with the proposed installation rate. We will need to monitor this closely and ensure that associated works to the kitchen and bathroom programme are able to deliver in line with the increased programme.
- 3.12 The current kitchen and bathroom programme is resourced by two full time surveyors carrying out design approvals, materials ordering (kitchen units, worktops, bathroom suites etc), contractor/tenant queries and site visits, and contract handover visits. They are supported with a 0.5 FTE administrator carrying out ordering, processing asbestos surveys and booking in initial survey visit for contractors. These costs are met by the Housing Revenue Account (HRA).
- 3.13 The proposal will double the existing programme for three years and will require additional resources to facilitate the increased workload. Every effort has been made to keep the additional resources to a minimum and drive capacity within the existing team. The additional resources required are one surveyor and one administrator at a cost of £50K. These posts would be on a fixed term contract until March 2015.
- 3.14 The Council's recruitment policy gives priority to any staff at risk of redundancy and internal staff. The vacancies would only be advertised externally if suitable internal candidates cannot be found.

4. CAPITAL FINANCING IMPLICATIONS

- 4.1 The cost of proposed increases to the Kitchen and Bathroom Replacement Programmes and associated asbestos works and internal staff costs will be met from a revenue contribution to capital (RCCO). This will significantly reduce the surplus the HRA was projected to achieve in the three financial years; 2012-13, 2013-14 and 2014-15.
- 4.2 It was projected that surpluses of £2.3m, £2.6m and £2.9m would be achieved during the three financial years respectively by the HRA and the additional RCCO required to support the increases to the Kitchen and Bathroom Replacement Programmes will take this down to £370k, £390k and £650k.
- 4.3 Broadly, it will leave the HRA with approximately £6m of available capital resources at the end of the current financial year rising to £9m by the end of 2014-15, which will be available for service improvements/priorities, investment in the stock and other strategic capital requirements. Projected available capital resources comprise; HRA revenue surpluses, the HRA working balance, the Major Repairs Reserve and useable capital receipts.

4.4 In addition to this, a prudent HRA Working Balance of £2.5m will continue to be maintained.

5. CHOICE OF CONTRACTOR ON THIS PROGRAMME

5.1 The requirements for quality of service delivery, increased service delivery, minimising resource usage, minimising tenant impact, health and safety implications and council policy all preclude the use of small contractors on these works delivered by Total Project Delivery (TPD).

5.2 All TPD contractors are required to be members of the Council's select lists. The current requirements for health and safety and accounts checks ensure that contractors do not place tenants at risk, nor do they become solely dependant on the Council for turnover given the high values associated with each contractor on this programme. All contractors must be NICEIC approved for electrical works and Gas Safe approved for gas works.

5.3 Appointing trade specific contractors or those that cannot carry out the majority of works themselves:

- increases resource requirements through extra management, checking and programming of the works and tenant liaison
- increases the risk of health and safety issues
- risks quality reduction through lack of cohesion between different trades
- increases tenant impact and uncertainty through number of different contractors involved
- increases duration of works in each property through lack of continuity of works, this has potential impact on tenant requirements to be at the property for an extended period

5.4 To mitigate this situation for construction works in general, the Council is proposing to update the Contract Regulations to better reflect current working practices and needs of the local economy. This should enable smaller contractors to be included on the select lists. Use of small contractors on TPD would then be possible for works that are individual in nature, for example non-programmed works such as boiler replacements and bathroom adaptations.

6. RECOMMENDED

6.1 That, subject to satisfactory half-yearly progress reports on the contractors' performance, Scrutiny Committee supports and Executive approves:

- (i) an additional £1.775M allocated to the capital programme in 2012/13 for replacement kitchens, bathrooms, associated works and staff costs;
- (ii) an increase in the Housing Capital Programme to £3.7m in 2013/14 and £3.8m in 2014/15 for replacement kitchens, bathrooms, associated works and staff costs;

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S:PA/LP/ Committee/912SCC4
21.8.12

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

HRA Business Plan 2012-2042