

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES COMMITTEE – 15 JANUARY 2009

REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES AND THE DIRECTOR OF CORPORATE SERVICES

KITCHEN REPLACEMENT PROGRAMME PROGRESS

ABSTRACT:

This report relates to the Council House kitchen replacement programme, funded from the Capital Budget. It sets out progress achieved so far, additional works required and the current financial position including estimated future out-turn figures.

1 RECOMMENDATION

1.1 It is recommended that the Committee note:

- i. the expenditure figures presented for the Housing Capital Kitchen Replacement Programme to 30 November 2008;
- ii. that 2600 kitchens had been completed at 30th November 2008;
- iii. the additional cost pressures being exerted on the programme ;
- iv. that relevant officers are endeavouring to identify measures to manage the kitchen replacement programme spend within overall available resources.

1.2 It is recommended that the Committee approve:

- i that full rewires are carried out, under a separate contract in conjunction with the kitchen installation programme, where the condition of the existing electrical wiring dictates that a partial upgrade would be impossible without loss of service to parts of the property;
- ii the funding package amounting to £120,000 from the 2009/2010 Housing Planned Maintenance programme required to fund the additional works.

2 INTRODUCTION

2.1 Chief Officer responsibilities for capital monitoring are set out in Section 7 of the Council's Financial Regulations. To ensure that budgetary control is exercised in line with those Regulations, regular monitoring reports covering the Housing Capital and Planned Maintenance Programmes are presented to the Neighbourhood Services and Corporate Services Committees throughout the year to keep members advised of general progress and any critical issues.

2.2 As the Bulk kitchen replacements are approximately halfway through the 4 year programme it is appropriate to report on the progress achieved, the associated budget costs, and the pressures being exerted on the spend profile by additional burdens.

3 BULK KITCHEN REPLACEMENT PROGRAMME 2006-2010 - PROGRESS

3.1 The bulk replacements allow each tenant to choose from 4 styles of kitchen and to have the layout designed and agreed in the comfort of their home, and around their specific appliances. Re-wiring the kitchen, decoration and floor covering choices are also included, whilst assessment of tenants special needs and provision of adapted equipment is integral to the process.

- 3.2 Angus Council Report no.261/05 estimated that the programme would include some 4400 properties at the outset, but that this could fall to some 4,000 actual installations during the course of the 4 year programme, due to right to buy sales and tenants opting out of the project.
- 3.3 The programme began in June 2006 with the first of 3 contracts, Bulk 1, covering the Arbroath, Carnoustie and Monifieth areas. Bulk 2, covering Forfar and Kirriemuir, began in August 2006 and Bulk 3, covering Montrose and Brechin, began in February 2007
- 3.4 At 30th September 2008 the actual number of properties in the programme was 4,160 whilst the out-turn number at the end of the programme in 2010 is still projected to be 4,000. The number of kitchen installations completed at 30th November 2008 was 2600 which is ahead of programme (although the exact timing varies between the 3 contracts).
- 3.5 Between the three bulk programmes the rates of completion have been adjusted by mutual agreement between the contractors and Angus Council. This has led to a significant reduction in the original target completion dates with the advantage that the tenants receive their new kitchens at an earlier stage. The updated projected completion dates are as follows:

Bulk 1:

Original target completion date March 2010
Updated projected completion date April 2010

The Bulk 1 contract had a slow start but will have caught up with the original programme by the end of the contract.

Bulk 2

Original target completion date July 2010
Updated projected completion date March 2010

The Bulk 2 contract initially started on programme and at the contractor's request he has been allowed to accelerate the number of kitchens carried out on a weekly basis. This has assisted in ensuring that the Housing Capital programme expenditure met the overall budget allowance in previous financial years.

Bulk 3

Original target completion date December 2010
Updated projected completion date December 2009

The Bulk 3 contract was initially due to proceed at approximately half the speed of Bulk 1. At the contractor's request he has been allowed to accelerate the number of kitchens carried out on a weekly basis to approximately double the original completion rate. This has assisted in ensuring that the Housing Capital programme expenditure met the overall budget allowance in previous financial years.

- 3.6 Part of the contract monitoring process includes a customer satisfaction check for each installation in which tenants are asked to score the service received out of 10. At 30th November 2008 the average customer satisfaction rating achieved for the 2600 installations was 8.3.

4 COMMENTARY ON SIGNIFICANT COST ISSUES

- 4.1 During the course of the programme significant costs have arisen which are exerting considerable pressure on the Capital kitchens budget. Additional works have been required due to either regulatory changes; operational issues or in consideration of providing effective and co-ordinated improvements to tenants. The major areas of additional expenditure are as follows:
- 4.2 Kitchen Unit Allowance per Property: At tender stage an estimate was made regarding the average number of units per property. This was based on information from previous kitchen replacement projects with the average units per property being set at approximately 9. As the Bulk Programme has progressed, the average number of kitchen units by contract per property has varied depending on the tenants choices and the types of property involved. This has led to an increase in the average number of kitchen units per property allowed for the overall

kitchen programme.

- 4.3 **Special Needs:** Designing for tenants with special needs and the provision of specialised equipment is integral to the programme. Whilst there are long-term advantages for the Housing Service and tenants in carrying out this work pro-actively through the bulk programme, there is a short term cost implication for the programme. There have been approximately 15 specialist kitchens installed costing around 75% above the average price for a standard kitchen. This cost increase is mainly due to the installation of motorised worktops incorporating sinks and ceramic hobs. Although the cost of these installations on an individual basis is high, their small number has not had a significant impact on the overall costs.
- 4.4 **Heating Replacement Co-ordination:** Boiler type and position can affect the layout of the kitchen units so the kitchen programme has been co-ordinated with the heating programme so that old boilers and water cylinders in need of upgrade are replaced before or at the time of the kitchen installation. Although the majority of funds for this have come from the heating budget, some costs have inevitably fallen on the kitchen budget.
- 4.5 **Gas Meter Re-positioning:** Some gas meters have been moved so that they do not compromise the kitchen layout and to comply with CORGi regulations. Currently this has had a minor effect on costs, however batches of meters will required to be moved and this will necessitate a co-ordinated approach including the planning, procurement and supervision of this work by services engineering staff.
- 4.6 **Electrical Regulations:** From June 2008 The 17th edition of electrical wiring regulations have required a new consumer unit to be installed with each kitchen installation, at a cost of approximately £195 per property. This has an implication for the remainder of the programme from June 2008 and affects approximately 2,200 properties with an additional cost of around £425,000.
- 4.7 **General Revisions to Costs:** As it was not practical to carry out a detailed inspection of each individual kitchen, prior to tender documents being issued, a number of assumptions, averages and estimates were made relating to the scope of works requiring to be carried out. These were based on information from previous kitchen replacement projects. The mix and type of houses varies between the burghs, which has affected the exact scope of works carried out compared to the original calculations and this has led to differences in costs per house. Although the actual variations in costs may be a small amount per house, when multiplied by the large number of houses contained in each contract, there is a noticeable impact on the overall cost.
- 4.8 **Respite Care:** To help vulnerable tenants through the disruption of the installation, respite care is funded where recommended by Social Work and Health colleagues, at a cost of around £800 per stay. There are some 5-10 cases in each year of the programme. This has currently only had an impact on costs relating to Contract 1.
- 4.9 **Rewires:** During the course of the programme several full rewire have been carried out at the time of the kitchen installation where the condition of the existing electrical wiring dictated that a partial upgrade would be impossible without loss of service to parts of the property. This has an additional cost of approximately £3000 per property. Whilst costs have been absorbed by the capital budget to date for individual emergency installations it is estimated that there will be some 40 properties, mainly in the Forfar and Brechin areas, requiring a rewire in the remainder of the programme at an additional cost of up to £120,000. This will necessitate a co-ordinated approach including the planning, procurement and supervision of this work by services engineering staff. The intention is to reschedule these properties where possible into year 2009/10 and fund the rewire element from within the HRA Planned Maintenance budget. These works will be carried out by a separate contractor and this work will be co-ordinated with the kitchen installation programme.

- 4.10 The following tables show the effect of the previous cost issues (excluding rewiring programme which is being funded separately) on the original total estimated costs approved by Committee.

Contract 1 – Arbroath, Carnoustie and Monifieth

Original Estimated Total Cost Approved by Committee		£8,678,219
Anticipated additional costs comprising:		
	Higher than anticipated average kitchen units per property/specialised kitchens	£110,000
	Additional costs relating to heating co-ordination	£50,000
	Gas Meter Re-positioning	£35,000
	Compliance with IEE Regulations 17 th Edition	£180,000
	General revisions to cost due to additional works inc wet plinths, electrical work (pre 17 th edition), wall & ceiling strapping and boiler replacements	£386,832
	Statutory sundry additional costs	£5,000
	Increase in decoration/disturbance/respite care allowance	£25,000
	TOTAL	£9,470,051

Contract 2 – Forfar and Kirriemuir

Original Estimated Total Cost Approved by Committee		£6,203,507
Anticipated additional costs comprising:		
	Higher than anticipated average kitchen units per property/specialised kitchens	£40,000
	Additional costs relating to heating co-ordination	£20,000
	Compliance with IEE Regulations 17 th Edition	£175,000
	General revisions to costs due to additional plinth heaters and electrical works inc controllers/consumer units (pre 17 th edition)	£136,936
	TOTAL	£6,575,443

Contract 3 – Brechin and Montrose

Original Estimated Total Cost Approved by Committee		£5,738,332
Anticipated reduced/additional costs comprising:	Higher than anticipated average kitchen units per property/specialised kitchens	£40,000
	Compliance with IEE Regulations 17 th Edition	£70,000
	General revisions to costs due to remeasurement of builder work and electrical works, reduced number of houses in contract and associated reduced fluctuation costs	(£393,338)
	TOTAL	£5,454,994

5 FINANCIAL IMPLICATIONS AND CAPITAL MONITORING UPDATE

- 5.1 The table below shows current spend and projected out-turn figures based on the information contained in the Housing Capital Programme – HRA Block 2008/2009 approved by the Neighbourhood Services Committee on the 20th November 2008 (Report No 1082/08 refers)

Phasing of expenditure of estimated total cost at out-turn prices	Actual Spend to 31/03/08 £'000	Projected Out-turn 2008/09 £'000	Later Years £'000	TOTAL £'000
Contract 1 – Arbroath, Carnoustie and Monifieth	3,918	2,300	2,460	8,678
Contract 2 – Forfar and Kirriemuir	2,958	1,508	1,874	6,340
Contract 3 – Brechin and Montrose	1,850	1,700	2,188	5,738
CAPITAL FUNDED TOTAL	8,726	5,508	6,522	20,756

- 5.2 Based on the latest estimated completion dates in item 3.5 and the revised total costs for each of the contracts contained in section 4 of this report, the updated projected cash flow for the bulk kitchen replacement programme (excluding additional rewire costs) is as follows:

Updated phasing of expenditure of estimated total cost at out-turn prices	Actual Spend to 31/03/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	TOTAL £'000
Contract 1 – Arbroath, Carnoustie and Monifieth	3,918	2,600	2,570	232	150	9,470
Contract 2 – Forfar and Kirriemuir	2,958	1,650	1,765	150	52	6,575
Contract 3 – Brechin and Montrose	1,850	1,850	1,670	85	0	5,455
CAPITAL FUNDED TOTAL	8,726	6,100	6,005	467	202	21,500

- 5.3 From the figures above it is anticipated that approximately £14,826,000 will be spent on the bulk kitchen programme by the end of 2008/2009. This represents 69% of the overall programme updated estimated total cost of £21,500,000 which commenced in the 2006/2007 financial year.
- 5.4 The current approved total funding of the bulk kitchen programme is £20,756,000 and in order to accommodate the additional costs of £744,000 the HRA Capital Programme will require to be adjusted in financial years 2009/2010, 2010/2011 and 2011/2012 to accommodate these costs together with the revision to the programmes. This will be carried out at the next review of the 2009/2010 HRA Capital Programme.
- 5.5 The cost of a planned programme for rewiring amounting to approximately £120,000 will be funded from the HRA Planned Maintenance 2009/2010 budget which will require to be adjusted to accommodate this expenditure.

6 HUMAN RIGHTS IMPLICATIONS

- 6.1 There are no Human Rights implications arising from this report.

7 EQUALITIES IMPLICATIONS

- 7.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

8 CONSULTATION

- 8.1 The Chief Executive, and the Heads of Finance, Law and Administration, Property and Housing have been consulted on the contents of this report.

9 CONCLUSION

- 9.1 This report sets out the achievements of the Council House kitchen replacement programme together with the actual Capital spend position and associated out-turn projections for members' information.

Colin McMahon
Director of Corporate Services

Ron Ashton
Director of Neighbourhood Services

Property – DMH

Housing - JM

NOTE: The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

Housing Committee 3/3/05 - Report no. 261/05 - Procurement proposals for an accelerated council house kitchen replacement programme.

Housing Committee 2/3/06 Report no 261/06 - Installation of Kitchens for Kitchen Replacement Bulk Procurement Programme Contract 1 - Tender Report

Housing Committee 9/5/06 Report no 619/06 - Installation of Kitchens for Kitchen Replacement Bulk Procurement Programme Contract 2 - Tender Report

Housing Exec. Sub-Committee 5/12/06 Report no 1476/06 - Installation of Kitchens for Kitchen Replacement Bulk Procurement Programme Contract 3 - Tender Report.

Housing Committee 21/11/08 Report no 1082/08 - Housing Capital and Planned Maintenance Programme - HRA Block - 2008/2009

Hsg/NS/AMcK/JM