

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**

TMO BOARD – 5th July 2007

REPORT BY – DIRECTOR OF TECHNICAL SERVICES

CAPITAL INVESTMENT PROGRAMME 2007/8

1.0 Purpose of the Report

- 1.1 To describe the variances that have occurred to the Capital Programme since the Capital Bid was submitted to the Council in October 2006 with an expenditure projection of £20.277 million in 2007/8.
- 1.2 To provide the TMO Board with updated information on the schemes that are included within the 2007/8 Capital Programme.
- 1.3 To provide the TMO Board with the latest expenditure projection for 2007/8.

2.0 Recommendation

- 2.1 That the TMO Board approves the 2007/8 Capital Programme with an updated cost projection of £18.377 million.
- 2.2 That the Director of Technical Services submits a further report in September 2007 to seek the approval of the TMO Board to the cost projection that will form the basis for the setting the revised budget with the Council in October 2007.

FOR DECISION

3.0 Background

- 3.1 The 2007/8 Capital Bid was approved by the TMO Board at its meeting on 12th October 2006.
- 3.2 The Capital Bid listed the schemes that would be included in the Capital Programme during 2007/8 and provided an expenditure projection of £20.227 million. The Capital Bid was approved by the Council on 7th March 2007.

- 3.3 In the time that has elapsed since the Capital Bid was submitted there have been a number of events that have impacted upon the progress of the schemes included in the Capital Programme and the expenditure projections as described below. As a result a revised expenditure projection has been prepared in the sum of £18.377 million.
- 3.4 Appendix A shows the schemes that are included in the 2007/8 Capital Programme and gives the variance between the expenditure projections submitted with the Capital Bid and the latest projections.

4.0 Capital Programme 2007/8

- 4.1 The expenditure projection as at 31st May 2007 for the HRA Capital Programme is £18.377 million which represents a 9.2% reduction on the Capital Bid of £20.227 million submitted in November 2006.
- 4.2 There have been 3 factors that have affected the progress of the Capital Programme as a whole during the period that has elapsed since the Capital Bid was submitted as follows:
- 4.2.1 The outcome of the London Area Procurement Network (LAPN) Leasehold Valuation Tribunal (LVT) was unfavourable. It has taken some time for LAPN to devise a way of procuring work from the successful LAPN contractors that will comply with the LVT decision and facilitate the recharging of leaseholders. As a result the procurement of some contracts has been delayed.
- 4.2.2 The LVT for the Cremorne Estate Low Rise Refurbishment scheme was also unfavourable. As a result the TMO has been forced to take a more cautious approach when assessing the case for replacement rather than repair works. Feasibility studies now need to be prepared in more detail which has delayed the progress of a number of schemes.
- 4.2.3 The TMO has now obtained feasibility studies for a number of the schemes that were included in the Capital Bid and so it has been possible to include more accurate cost estimates in the latest projection.

5.0 Variances Between The 2007/8 Capital Bid and The Latest Expenditure Projections

- 5.1 The schemes that have experienced the most significant variances in terms of projected in year expenditure are as follows:
- 5.1.1 Decent Homes External Works. Feasibility studies for the various schemes have now been received. Initial analysis has indicated that the number and scale of properties failing the Decent Homes Standard is less than had been originally anticipated and that surplus funds can go to offset the additional internal works that are required. The provision in the Capital Bid was £3.006 million, however that has been reduced to £1.552 million to reflect the slower than anticipated start.

The projected expenditure consists of Grenfell Tower £27k, Balfour of Burleigh £85k, Chelsea Manor Court £151k, Sir Thomas More Estate £900k, Swinbrook Estate Malvern Close £100k, Lancaster West Stage 3 £39k and an unallocated contingency of £250k.

- 5.1.2 Decent Homes Internal Works Tranche 4. Surveys for Tranche 4 have now been fully completed and have highlighted the need for a greater volume of work than the £1.3 million included in the Capital Bid. The TMO Board approved an increase in the overall scheme budget at its meeting on 8th March 2007 and the provision for 2007/8 was then increased to in excess of £3 million. However in the event the constructors have encountered a higher than normal rate of access refusals because the remaining work consists mainly of electrical rewires which are less attractive to the residents. The forecast for the year has therefore been set at £2.884 million with a contingency of £100k for rewires to be undertaken after the Decent Homes work has been completed.
- 5.1.3 Elm Park Gardens External Repairs. The latest projection of £3.883 million represents an under-spend of £675k against the projection of £4.508 million included in the Capital Bid. When the Capital Bid was prepared the scheme had encountered delays and it was thought that a shortfall in expenditure during 2006/7 would need to be taken forward into 2007/8. In the event the delays were recovered during 2006/7 and the expenditure does not need to be carried forward. The TMO is currently seeking to identify ways in which the programme could be accelerated to bring forward expenditure from 2008/9 into 2007/8.
- 5.1.4 Wiltshire Close Lifts. The project team has experienced construction difficulties mainly in respect of underground services which has delayed the progress of the work. The latest cost projection has been reduced by £195k to reflect the impact of the delays. It is however possible that the projected in year cost reduction will be off-set by a loss and expense claim from the contractor.
- 5.1.5 Worlds End Estate Door Entry and CCTV. The TMO has agreed to review this scheme in light of comments received from a group of residents. The projected expenditure of £477k included in the Capital Bid has been reduced to an allowance of £23k which is intended to cover fees and other sundry costs.
- 5.1.6 Trellick Tower Refurbishment. The latest cost projection of £832k represents an under-spend of £702k in comparison with the projection included in the Capital Bid. There have been some delays to the external works scheme due to complications with the S20 leaseholder consultation process. The TMO is currently exploring the possibility of accelerating the internal works scheme in order to recover the delays.
- 5.1.7 Cavity Wall Insulation. The project manager has recommended that the expenditure projection for 2007/8 should be set at £265k, a reduction of £225k against the projection contained in the Capital Bid.

- 5.1.8 Lift Renewals. Feasibility studies have now been received for lift repair/replacement schemes at Trellick Tower and Cremorne Estate. The feasibility study for Cremorne Estate has revealed complications arising from the need to maintain access for residents. The cost projection of £600k included in the Capital Bid for lift work has been removed pending a more detailed evaluation of the schemes.
- 5.1.9 Portobello Court Decent Homes and Heating. The cost projection has been increased by £282k to reflect the tenders that have now been received for the work.
- 5.1.10 Silchester Estate Window Rectification. A report recommending that no action should be taken at the present time in respect of the windows has been approved by the PMC. Accordingly the cost projection of £269k included in the Capital Bid has been withdrawn.
- 5.1.11 Sundry Maintenance Projects. A provision of £500k has been included in the latest expenditure projection to allow for works such as major works voids and the replacement of roof coverings that are expected to be carried out during the course of the year.
- 5.1.12 Salaries. A provision of £494k has been allowed in the latest expenditure projection to allow for internal salary costs that can be recharged to the HRA.

6.0 Summary

- 6.1 The expenditure projections shown in Appendix A are considered to be realistic based on the information that is available at the present time.
- 6.2 The Director of Technical Services will continue to monitor the progress of the programme against the projections contained in the 2007/8 Capital Bid. It is proposed that a further report will then be submitted to the TMO Board in September 2007, setting out the updated projections that will be used to calculate the revised 2007/8 budget that will be submitted in to the Council in October 2007 with the 2008/9 Capital Bid.

Liam Good
Director of Technical Services

Appendix A

TMO Capital Programme 2007/08

OW Code	Project Name	2007-08 Capital Bid	Forecast as at 31st May 2006	Variance from capital bid
	In Final Account or Settled Final Account	11	24	13
G3243	Cremorne Low-Rise: Refurbishment 3&4	80	153	73
G3379	Elm Park Gardens: External Repairs	4,508	3,833	-675
G3846	Convent Estate: External Repairs	36	41	6
G4195	Silchester Estate: Lift Lobbies	23	51	28
G4396	Worlds End Estate: Walkways & Chutes 4&5	21	71	50
G4402	Worlds End Estate: External Decorations	0	71	71
G4271	Trellick Tower Phase 1: Shear Wall	136	152	16
G4068	21 Pembridge Cres Add Acoustic	1	1	0
G4389	Worlds End Estate: Door Entry and CCTV	500	23	-477
G3800	Balfour of Burghley Security Phase 1	261	291	30
G3851	Edenham Way Windows and Doors	17	17	0
G0402	Blantyre Centre Conversion	4	9	6
G4349	Walnut Tree House Externals	91	49	-42
G4388	Wiltshire Close: Lifts	1,778	1,583	-195
G4269	Trellick Tower: Phase 2 External Works	1,211	583	-628
G2161	Trellick Tower Phase 2a: Site Works	50	2	-48
G2162	Trellick Tower Phase 3: Internal Works	137	95	-42
G3240	Chesterton Sq & Broadwood Terr: Windows	102	34	-68
G3637	Holland and Elsham Roof / Dec	1,249	1,262	13
G3849	Longlands Court water Mains	4	4	0
G4067	Portobello Court Heating	2,729	3,011	282
G4192	Silchester window rectification	269	4	-265
G4403	Nickelby and Barkis Houses: Door Entry	164	199	35
G5019	Decent Homes Tranche 4	1,300	2,884	1,584
G3640	Holmfield House Latent defects	0	32	32
G2163	Technical Advice	50	36	-14
G2127	Balfour Of Burleigh Roofs, Doors and Concrete Repa	0	85	85
G2141	Chelsea Manor Court Estate Roofs, Doors and Balcon	0	151	151
G2234	Grenfell Tower Windows and Roof	0	27	27
G2439	Swinbrook Estate Windows and Doors CS	0	100	100
G2440	Sir Thomas More Estate Windows and Roofs CS	0	900	900
G2314	Lancaster West Stage 3 Windows, Doors and Concrete	0	39	39
G4390	Whitchurch House Windows - included in DH Pending Survey	0	45	45
G4507	Cavity Wall Insulation (Pending Feasibility Study)	490	265	-225
G4501	Commercial Properties	100	100	0
G4500	Landscape and Environmental Improvements (Elgin mews)	100	100	0
G5002	Sundry Maintenance projects	0	500	500
TMP4	External Decent Homes (Pending Survey)	3,006	250	-2,756
G4504	Rising Mains (Electrical)	50	50	0
G4506	Lighting (emergency, block, street)	200	100	-100
G4503	Lift Monitoring (Pending Feasibility Study)	150	196	46
TMP8	Lift Renewals	600	0	-600
G4502	Communal Heating (Pending Feasibility Study)	700	100	-600
G4505	Door Entry systems (Pending Feasibility Study)	0	210	210
TMP16	Rewiring Programme	0	100	100
G4509	Drainage Repairs (pending feasibility study)	100	50	-50
G5020	Salaries	0	494	494
	TOTAL EXPENDITURE	20,227	18,377	-1,850