



## **RECORD OF DELEGATED DECISION (OFFICER)**

<b>1. Decision Reference No.</b>	<b>CEX316</b>
<b>2. Name/Title of Officer</b>	<b>Michelle Howard Director for Housing and Communities &amp; Deputy Chief Executive</b>
<b>3. Email address of Officer</b>	<a href="mailto:mhoward@melton.gov.uk"><b>mhoward@melton.gov.uk</b></a>
<b>4. Title / Subject Matter:</b>	<b>In year increase of two Housing Revenue Account Budgets</b>
<b>5. Type of Decision:</b>	<b>Public</b>
<b>6. Key Decision?</b>	<b>No</b>
<b>7. Decision Taken:</b>  <ol style="list-style-type: none"><li>1. Authority to increase the 2023 / 24 Special Services - Contract Work – Responsive budget by £100,000.</li><li>2. Authority to increase the 2023 / 24 Other Services – Other gas heating maintenance budget by £100,000.</li></ol>	
<b>8. Reasons for Decision:</b>  This report is to seek approval for two budget increases. These increases will allow for the stock to be modernised and develop, meeting the aspirations of the HRA Business Plan.  <b>Digital TV aerial upgrade</b>  Our current digital TV aerial system has been in place since 2005 and was based on a hire and maintenance basis. We have systems in all communal buildings, such as blocks of flats or supported living schemes. The contract ended in 2020 and the servicing has been carried out on a rolling basis since then. The lack of an ongoing maintenance contract means that repair response times are not always in line with our expectations.  The proposal is to upgrade all of our communal aerial systems. This will be a hybrid system that is a stand-alone satellite system providing freeview, digital radio and the provision to subscribe to Sky, Sky HD and Sky Q without any additional works.  This system will offer the following benefits over the current one: <ul style="list-style-type: none"><li>• Less components so more reliable – the proposal includes a full replacement of a single system instead of a retro-fit side by side system.</li></ul>	

- Less disruption to residents due to minimal cabling work.
- Increased fire safety due to minimal cabling work.
- Less power consumption and reduced socket need.
- Free 5G mitigations for future proofing.

Our current annual payment is around £28,000. This covers maintenance and the hire of the equipment.

The new contract would be on the basis that we install new equipment, that we own, in year one. This is under warranty for three years, which covers all breakdowns and failures other than user damage. The full contract duration is five years, so we would be liable for the cost of any breakdowns in the final two years. The costs for the initial contract are as follows:

Initial install cost - £147,375

Estimated repair budget for years 4 and 5 - £5000 per annum.

The calculations below show the impact this would have on the 30-year programme, this is based on a similar contract continuing after year 5.

Current contract cost:

£28k x 30 years = **£840k**

New contract cost (allowing for a second upgrade in fifteen years):

£147k x 2 (install costs) = £294K

£5k x 24 years (estimated maintenance budget) = £120k

Total cost = **£414K**

**30 year saving (excluding inflation) = £426k**

Although there is a large increase required in the 2023/24 budget, this project will represent a significant saving over the course of the thirty year business plan. This helps us meet the objective set out in the business plan of increasing the headroom available for investment in other priority areas.

The current budget is £102,820, however average spend against this has been £75,000 over the last three years. This means that there is around £25,000 capacity this year and £28,000 currently allocated for TV aerial costs.

The proposal is to increase the budget by £100,000 to allow this project to proceed.

It should also be noted that the lower annual costs will result in a reduction in service charges for tenants.

**Failed heating upgrades**

We currently replace gas boilers when they are fifteen years old and full heating systems when they are thirty years old. This helps us to meet our target of 100% of properties that meet the decent homes standard.

The current capital programme includes budgets for boiler and heating upgrades. The list of addresses for each of these budgets should be fixed at the beginning of the year. The list is based on the decent homes failures that are recorded on our asset management system.

We also have a small revenue budget for boiler failures. This should be used to replace any heating systems that fail during the year that are not repairable. There is currently a backlog of boilers that are over fifteen years old, this means that there are a significant number of failures.

Previously, the boiler failures have been paid for from the capital budget. As an estimate, this is around two per month at a costs of around £100K per annum. This impacts on the capital programme and makes it difficult to

manage a fixed programme of work.

The proposal is to fix the capital programme at the beginning of the year and not pay for failures from that budget. The revenue budget would then be increased by £100K to allow for all failures to be paid for from it.

There will be a requirement to continue to have an increased revenue budget in subsequent years, this will be factored into the Asset Management Plan review each year.

The increased revenue budget will be used to replace over life boilers, that are not already in the capital programme, but have failed and are beyond repair. This will reduce the size of the capital programme in future years as the boiler will no longer need replacing when originally planned. This will mean that the financial impact on the thirty-year programme is minimal and we will accelerate our progress in meeting our target of 100% homes which meet the decent homes standard.

Over time, the boilers that are upgraded through the combined capital programme and increased revenue budget will result in a smaller number of over life boilers. This should reduce the requirement for a larger revenue budget. Actual spend against the revenue budget will be monitored on an annual basis and it will be reduced in line with actual failure numbers.

## **9. Authority / Legal Power:**

The HRA Business Plan report that was presented to Council in July 2022 included the following delegation relating to the HRA:

*Delegated authority is given to the Director for Housing and Communities in consultation with the Director for Corporate services and Portfolio Holder for Housing and Landlord Services to access the HRA Development and Regeneration Reserve to progress projects and activities in support of the HRA up to a limit of £100k per project and up to a maximum of £500k in any one year subject to the financial viability of the HRA Business plan not being undermined.*

There have been two other decisions made under this delegation in this financial year totalling £29,587. These are two separate projects at £100K each, so this decision fits within this delegation.

## **10. Background Papers attached?**

**No**

## **11. Alternative options available / rejected:**

1. Aerials – To procure a new lease agreement. Initial costs indicated that the overall cost to the HRA and tenants would be higher so this option was discounted.
2. Boilers – Continue to pay for failures from the capital budget. This was discounted due to the difficulty to manage and the fact that the proposed alternative will not increase costs to the HRA.

## 12. Implications:

<p><b>Legal</b></p>	<p>The management of finance is an important responsibility of the Council and the measures outlined in this report provides assurance that effective control and management of risks associated with those investment decisions are in place.</p> <p>[Legal Approval – 28 April 2023]</p>
<p><b>Finance</b></p>	<p>On the Digital Aerial programme there is expected to be an overall saving of £426k over the 30 year programme (excluding inflation) based on the proposals and change in approach outlined above.</p> <p>With the heating upgrades the increased revenue budget will be used to replace over life boilers, that are not already in the capital programme, but have failed and are beyond repair. This will reduce the size of the capital programme in future years as the boiler will no longer need replacing when originally planned. This will mean that the financial impact on the thirty-year programme is minimal.</p> <p>Both these proposals will be incorporated in future updates of the HRA Business Plan.</p> <p>[Finance Approval – 10 May 2023]</p>
<p><b>HR</b></p>	<p>N/A</p>

## 13. APPROVAL/SIGN OFF (Do not complete until all implications signed off at Section 12)

<p><b>Signature of Decision Maker with authority to sign:</b></p>	<p>Email approval received  <b>Michelle Howard</b>  <b>Director of Housing and Communities</b></p>
<p><b>Consultation with:</b></p>	<p>Email approval received  <b>Portfolio Holder for Housing and Landlord Services and Director for Corporate Services</b></p>
<p><b>Date:</b></p>	<p><b>9 June 2023</b></p>

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