

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET MEMBER FOR HOUSING AND HEALTH

Decision Made: 30 October 2023

Granada House Refurbishment

Issue for Decision

To seek approval to:

- Engage the contactor at their tendered figure plus a 10% uplift for contingency and on costs following the previous decision made by the Cabinet in December 2022 to reprocur the proposed refurbishment works with a reduced target price; and
- Use part of the Council's Local Authority Housing Fund Grant to cover the full cost of the works.

Decision Made

That the following be agreed:

1. The proposed refurbishment works to Granada House up to a maximum cost of (**See figure A in Exempt Appendix**), with it noted that the revised net Total Scheme Cost, as a result of the grant monies now being available, will still be within the previous approval;
2. To enter into a contract with the preferred contractor to carry out the refurbishment works to Granada House;
3. A) Officers explore fully with Pelling's (the appointed Employers Agent) and the appointed Contractor the merits of providing solar PV to the property as a way of off-setting electrical use.

B) That this option and additional expenditure, of up to £70,000 (above the figure in 1) is only pursued after consultation, post contract award with the Cabinet Member for Housing and Health.
4. The Director of Finance, Resources and Business Improvement be granted delegated authority to enter into any related appointments, legal actions, deeds, contracts and agreements which may be required to facilitate the refurbishment works required.
5. The Head of Mid Kent Legal Services be authorised to deal with all legal formalities including the negotiation and completion of the necessary contract documentation, deeds, agreements and ancillary documentation associated with the refurbishment works on the terms as agreed by the

Director of Finance, Resources & Business Improvement or to appoint external solicitors to undertake this or elements of this work.

6. To invite Maidstone Property Holdings Limited to surrender its lease on the building, so it can become affordable housing upon the grant funding being applied to it and agree that the Head of Mid Kent Legal Services is authorised to attend to the necessary legal requirements, formalities and ancillary documentation or to appoint external solicitors to undertake this or elements of this work.

Reasons for Decision

The last decision on the refurbishment of Granada House was made by Cabinet on 21st December 2022. By way of background, in 2022, the requisite works were originally procured in early 2022, and this yielded a proposed works cost of circa (**See Figure E in Exempt Appendix**). The Cabinet at that time were not satisfied that this price represented value for money, and so the decision was made to re-procure the works with a target price of (**See Figure B in Exempt Appendix**) inclusive of a 10% uplift to cover on costs and contingency.

The re-procurement exercise commenced in early 2023, this time via a two-stage process; namely the preferred contractor gives their estimated price at the first stage based on limited design ((Stage 1) and survey information, then again at final design with the benefit of all survey and design work undertaken (Stage 2).

These prices have been as follows: -

- | | | | |
|---|---------|-----------------------------------|----------|
| o | Stage 1 | (See Figure C in Exempt Appendix) | Feb 2023 |
| o | Stage 2 | (See Figure D in Exempt Appendix) | Oct 2023 |

The contractor will only engage at their Stage 2 price, but this figure will still need to be validated by a Value for Money report to be provided by our external surveyor / employer's agent.

The key reasons for the difference between the two prices (See Figures C & D in Exempt Appendix) are as follows: -

- o Increased cost to the roof, to include adding a non-combustible insulation to the new roof system.
- o Increased walkway replacement costs to the upper storey flats.
- o Increased costs to mechanical and engineering plant items.
- o Increased tiling to kitchens.
- o Increased floor covering expenditure to provide additional comfort and sound insulation.

In terms of a new spend approval, 10% uplift needs to be applied to the latest Tendered sum for overheads and contingency, to give a revised cost

of (See Figure A in Exempt Appendix).

In terms of the target price set by Cabinet, the Employer's Agent did attempt to engage the contractor at this price point, but the contractor was very clear that they would not reduce the specification to this point as it would not be sufficient to allow the building to be brought up fully to the Decent Homes Standard nor meet the necessary standards in terms of Health & Safety compliance, nor deliver a product that they were content or able to warranty.

The new price therefore is c 4% lower than that previously rejected, but owing to the passage of time, and the impact of build cost inflation, provides better value for money on a like for like basis.

However, as per the further Cabinet decision (28th April 2023) in respect of using the Local Authority Housing Fund (LAHF) allocation to refurbish Granada House, the Council now has approval from the government department to use £2,560,000 of our LAHF allocation towards the refurbishment and sunk costs of this building. The Council is already in receipt of these grant monies.

The previous Executive Committee gave approval to proceed with the refurbishment at a maximum Total Scheme Cost of (See Figure B in Exempt Appendix). By virtue of the LAHF grant monies being netted off the latest construction price, inclusive of on costs and contingency, the net refurbishment cost is now less than zero to the Council, and so falls within this original approval, but in the spirit of transparency it was felt appropriate that a Portfolio Holder decision should still be made to this effect.

There is also a need for urgency for this decision, because the LAHF monies require the homes to be refurbished by the end of the fiscal year. The contractor only provided their final price on 10th October 2023, and they require an immediate instruction to hit that deadline.

The officer opinion is that there is not a significant risk of grant clawback if the completion of the contract slips slightly as long as we can evidence that the works are very well advanced, but all the same, given all the previous delays to the project, it is imperative to move at pace, and so avoid a situation whereby the availability of the LAHF grant becomes at risk, by waiting for a call-in period to pass. Incidentally, the LAHF grant monies terms are not as onerous, as monies from Homes England, inasmuch meeting National Minimum Space Standards is not a requirement.

The contractor has, as previously stated, commissioned all the surveys required and completed the detailed design works, and some early strip-out works via the Pre-Construction Services Agreement, and so is now ready to sign the main contract with a view to the project being completed by 31st March 2024.

Therefore, the Council is now in a position whereby the full cost of the works, plus contingency and on costs will be met through this grant. Upon the point that the grant is applied to the homes they will become classified

as affordable homes, and so Maidstone Property Holdings Limited will need to be invited to rescind its lease on these homes that were previously used as private rented sector housing.

The matter was also considered by the Housing, Health and Environment Policy and Advisory Committee with support expressed for the report recommendations.

Alternatives considered and why rejected

Option 2. Not proceed with the works and continue to mothball or sell the building.

Option 2 was not recommended or taken forward as the building will continue to deteriorate if it is mothballed and will continue to accrue considerable void losses, as well as council tax and utility costs too (to the value of c£20k pcm), as well as detract from the Gabriel's Hill shopping environment. In its current condition, the building would not be readily saleable and the prospects of it being fully refurbished too would be quite remote, given the current construction cost situation.

Background Papers

Executive Report – 21 December 2022

Decision Notice, Local Authority Housing Fund

I have read and approved the above decision for the reasons (including possible alternative options rejected) as set out above.

Signed: _____
Councillor Lottie Parfitt-Reid, Cabinet Member for Housing and Health

Full details of both the report for the decision taken above and any consideration by the relevant Policy Advisory Committee can be found at the following area of the [website](#)

Call-In: This decision is urgent as the LAHF monies need to be committed by the end of the financial year, with it imperative that the main works on site commence with immediate effect so that they are completed by year end. The contractor can only achieve this milestone if they are instructed imminently. The decision is therefore not subject to call-in, with the requirements of Part C2, Rule 13.5 of the Council's Constitution having been met.