

Cabinet Member for Housing and Health

30 October 2023

Granada House Refurbishment

Timetable	
Meeting	Date
Housing, Health & Environment Policy Advisory Committee	30 October 2023
Cabinet Member for Housing & Health	30 October 2023

Will this be a Key Decision?	Yes
Urgency	28-day notice requirement relating to key decision has been waived by the Chairman of the Overview and Scrutiny Committee in accordance with Rule 11.6, Part C4 of the council's Constitution and Call-In will be waived.
Final Decision-Maker	Cabinet Member for Housing & Health
Lead Head of Service	William Cornall
Lead Officer and Report Author	William Cornall
Classification	Public with Exempt Appendix <u>Exempt Category</u> The information within the report has been considered exempt under the following paragraph of part I of schedule 12A to the Local Government Act 1972:- Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
Wards affected	High Street

Executive Summary

A decision was made by Cabinet in December 2022 to re-procure the proposed refurbishment works with a reduced target price. It has not been possible to engage a suitable contractor at this price point, and indeed the price achieved by the latest procurement exercise is only a little below the figure previously rejected. Therefore, the recommendation is to engage the latest contractor at their tendered figure plus a 10% uplift for contingency and on costs.

Furthermore, it is also proposed to use part of our Local Authority Housing Fund (LAHF) grant award that will cover the full cost of these works, plus the 10% uplift, and this will allow for these homes, which were previously private rented sector, to be converted to affordable rented housing. This decision is urgent because the LAHF monies need to be committed by the end of the financial year, and so it is imperative that the main works on site commence with immediate effect so that they are complete by year end, and the contractor is only able to achieve this milestone if they are instructed imminently.

Purpose of Report

Decision

This report makes the following recommendations to the Cabinet Member for Housing and Health:

1. Agree to carry out the proposed refurbishment works to Granada House up to a maximum cost of (**See figure A in Exempt Appendix**), but noting 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. Enter into a contract with the preferred contractor to carry out the refurbishment works to Granada House.
3. Agree that:
 - 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. Agree that the Director of Finance, Resources and Business Improvement is 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. Agree that the Head of Mid Kent Legal Services is 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. 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.

Granada House Refurbishment

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Accepting the recommendations will materially improve the Council's ability to achieve and support Embracing Growth and Enabling Infrastructure and Homes and Communities.</p>	Director of Regeneration and Place.
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>The report recommendations support the achievements of the cross-cutting objectives by respecting the heritage of the existing building with sensitive design and addressing and reducing health inequalities with significant upgrade works to improve the internal and external condition and visual appearance of the building.</p>	Director of Regeneration and Place
Risk Management	Already covered in the previous report.	Director of Regeneration and Place
Financial	The net position to the Council will be improved as the net cost of the refurbishment will now be fully funded through grant funding.	Director of Finance, Resources

		and Business Improvement
Staffing	We will deliver the recommendations with our current staffing.	Director of Regeneration and Place
Legal	<p>The Local Government Act 1972, section 111(1) empowers a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.</p> <p>The Council also has a general power of competence pursuant to Section 1 of the Localism Act 2011 which enables it to do anything that individuals generally may do.</p> <p>Any procurement or contracting must be done in accordance with the Council's Constitution and arrangements.</p>	Monitoring Officer and Team Leader (Planning)
Information Governance	The recommendations will impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes. The Information Governance Team will/have reviewed the processing of personal data affected and the associated documentation has been/will be updated accordingly, including a data protection impact assessment.	Information Governance Team
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change should one be identified.	Equalities & Communities Officer
Public Health	We recognise that the recommendations will improve living conditions and therefore have a positive impact on the health and wellbeing of individuals residing in Granada House.	Public Health Officer
Crime and Disorder	No implications	Director of Regeneration and Place

Procurement	On accepting the recommendations, the Council will appoint the preferred contractor via direct award from the identified framework and undertake the refurbishment works required.	Director of Regeneration & Place
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and aligns directly with the intentions of the BCC Action plan to decarbonisation MBC assets in line with the council's 2030 net zero commitment.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

- 2.1 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.
- 2.2 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).
- 2.3 These prices have been as follows: -
- Stage 1 (**See Figure C in Exempt Appendix**) Feb 2023
 - Stage 2 (**See Figure D in Exempt Appendix**) Oct 2023
- 2.4 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.
- 2.5 The key reasons for the difference between the two prices (See Figures **C & D in Exempt Appendix**) are as follows: -
- Increased cost to the roof, to include adding a non-combustible insulation to the new roof system.
 - Increased walkway replacement costs to the upper storey flats.
 - Increased costs to mechanical and engineering plant items.
 - Increased tiling to kitchens.
 - Increased floor covering expenditure to provide additional comfort and sound insulation.

- 2.6 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**).
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.
- 2.13 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.
- 2.14 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.

2.15 The options therefore are as follows: -

- **Option 1.** Proceed with the works at a cost of (**See Figure A in Exempt Appendix**) inclusive of a 10% uplift for contingency and on costs, utilising LAHF monies to fully offset this cost.
- **Option 2.** Not proceed with the works and continue to mothball or sell the building.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The preferred option is **Option 1** as it allows the building to be comprehensively refurbished to a modern standard, with the full cost being met by LAHF grant monies, with the building also being converted to affordable rented housing, and so can form part of the Council's 1,000 Affordable Homes ambition.

3.2 Option 2 is not recommended 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.

4. RISK

4.1 These were set out in the previous report.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The Leader of the Council and Portfolio Holder has been kept up to date on this matter over the duration of 2023.

5.2 The matter will also be considered by the Housing, Health and Environment Policy and Advisory Committee on 30 October 2023 with the outcome to be reported to the Cabinet Member ahead of the decision being made.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 To appoint the contractor and proceed with the works.

7. REPORT APPENDICES

- Exempt Appendix

8. BACKGROUND PAPERS

[Executive Committee Report – 21st December 2022](#)

[Decision Notice](#)