

CABINET

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING

16 DECEMBER 2022

A.4 Update on Spendells House and Review of Budget

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To update Cabinet on progress with Spendells House following the decision taken on 26 June 2020 and to seek continued support for the site being retained and reconfigured for the provision of temporary housing accommodation, subject to the business case being revisited.

EXECUTIVE SUMMARY

- Cabinet decided on 26 June 2020 to bring Spendells House back into use as temporary accommodation.
- Officers have undertaken further work on this proposal and the building has now been stripped internally of all asbestos.
- A specification for the temporary accommodation scheme has been drawn up and tenders invited for the building conversion works, through a formal procurement process. Tender submissions have now been received, evaluated and an award letter issued.
- The successful tender is priced at £1.25M. This combined with the already completed asbestos removal works is higher than the original £600k budget estimate for the overall project.
- In light of the above, it is proposed that Cabinet continues to support the Spendells house site being retained and reconfigured for the provision of temporary housing accommodation in principle, subject to the original financial appraisal / business case and funding proposals being revisited for approval by the Portfolio Holders for Corporate Finance and Governance and Housing.

RECOMMENDATION(S)

It is recommended that Cabinet:

- a) notes the update on progress and continues to support, in principle, the Spendells house site being retained and reconfigured for the provision of temporary housing accommodation;**
- b) requests that Officers revisit and update the original financial appraisal / business case; and,**
- c) delegates the decision to proceed or otherwise to the Portfolio Holder for Corporate Finance and Governance and the Portfolio Holder for Housing subject to:-**

i) the updated financial appraisal / business case remaining financially advantageous and provides value for money to the Council in terms of the overall provision of temporary accommodation; and

ii) the identification and approval by Full Council of the necessary funding as part the separate HRA budget setting process.

REASON(S) FOR THE RECOMMENDATION(S)

To progress the provision of council owned and managed temporary housing accommodation.

ALTERNATIVE OPTIONS CONSIDERED

The only alternative option considered is to not continue with the project. Due to the rising cost of providing external accommodation this option has been discounted.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The Corporate Plan priorities include building sustainable communities for the future - Building and managing our own homes and also to use assets to support priorities.

The Council’s Housing Strategy adopted in October 2020 has delivering homes to meet the needs of local people as one of its key strategic priorities.

Managing public money effectively meaning value for money principles are embedded in the delivery of all our services.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal consultation with relevant Officers has been undertaken.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	23 September 2022

The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:

The decision delegated to Portfolio Holders will require a report setting out all of the considerations and implications to be produced and to be published in the normal manner.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

The successful tender for the building conversion works has come in at £1.25m. In addition to the urgent works already undertaken the total cost of the project is £1.40m. This is significantly more than the original estimate of £0.600m currently included in HRA capital programme for 2022/23.

The increase can be attributed to inflationary pressures seen across the construction industry and is broadly consistent with higher than expected costs experienced with other high value construction projects the Council is involved with.

In light of this increase in costs, it is proposed to revisit the financial appraisal / business case that was set out within the original report to Cabinet in June 2020 to determine if value for money can still be reasonably demonstrated. The recommendations above also propose a delegation to the Portfolio Holder for Corporate Finance and Governance and the Portfolio for Housing to agree that the project can proceed or otherwise based on the outcome of the review of the original business case.

In parallel with this, it is also proposed to include the additional funding required within the HRA budget reports that will be presented to Cabinet / Full Council early in 2023. In the event that the updated business case cannot demonstrate value for money, then this can be removed from the HRA budget before it is presented to Cabinet / Full Council next year.

Risk

Financial risks will be considered in detail as part of the delegated decision report to the Portfolio Holders.

There is a risk associated with increasing homelessness costs. Further delaying the development of this project also delays the opportunity to reduce spending on temporary accommodation.

The tender submission price is not time limited and an award letter has been issued to the contractor. However, there is the possibility that the contractor may ask to increase some costs due to time elapsed from award of contract to works commencing on site.

The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:

There are no additional comments over and above those set out elsewhere in the report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Refer to finance and other resource implications
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	Refer to legal requirements
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Refer to finance and other resource implications
MILESTONES AND DELIVERY	
Subject to Cabinet approval and further Portfolio Holder decision, anticipated opening for the scheme is Autumn 2023.	
ASSOCIATED RISKS AND MITIGATION	
Risks will be set out in the Portfolio Holders' decision report.	
EQUALITY IMPLICATIONS	
The proposal does not impact on the protected characteristics of any individuals.	
SOCIAL VALUE CONSIDERATIONS	
None identified	
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030	
The proposals do not impact on the Council's aim to be net zero by 2030.	
OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS	
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.	
Crime and Disorder	None noted
Health Inequalities	None noted
Area or Ward affected	Walton

PART 3 – SUPPORTING INFORMATION

BACKGROUND
<p>On 26 June 2020 Cabinet took the decision to bring Spendells House in Walton back into use as temporary accommodation.</p> <p>Since that decision was taken Officers have secured planning consent for the change in use and completed the removal of all asbestos from within the building using appropriately licensed contractors.</p> <p>A tender exercise has now been undertaken for the remaining conversion works with the lowest and successful tender coming in at £1.25m.</p>

This figure is somewhat higher than the original 2020 estimated cost of £0.6M, £0.149M of which has already been spent on the asbestos removal works. Furnishing the scheme is now estimated to cost in the region of £0.06M based on recently obtained prices. This brings the total estimated expenditure to set the scheme up ready to use to **£1.4M**.

Given ongoing rises in inflation it is now prudent to consider a total estimated budget of **£1.4m**

These increases in cost must be set against continued high levels of homelessness presentations and consequent temporary accommodation use and therefore the original principals of the June 2020 decision remain.

A detailed financial business case will be produced and provided in a future report to the Portfolio Holder for Housing and the Portfolio Holder for Corporate Finance and Governance to consider in accordance with the delegation recommended in this report.

PREVIOUS RELEVANT DECISIONS

Cabinet June 2020 minute no. 25 - Report of the Housing Portfolio Holder - A.5 - Future Use of Spendells House, Walton-on-the-Naze

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

None

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