

## A.2 Appendix C

**Extract from the Minutes of the meeting of the Resources and Services Overview and Scrutiny Committee f 22 July 2024 where questions were posed to the Leader and/or the Portfolio Holder for Housing in respect of the Spendells House unauthorised expenditure position in late 2023/early 2024.**

QUESTION		
Cllr Smith	To the Leader	<p>“In this case, the total revised scheme cost shown on page 30 of our papers is some 60% higher than the approved scheme budget (shown on the same page). We have major schemes underway and, in the pipeline, many of which will be funded by fixed sum grants from Government. Do you worry that this level of under-estimation and management of a major contract will impact on grant funders? Will we lose funding? Will we be left picking up costs of grant funded schemes that over-run on cost by something like 60%?”</p>
ANSWER		
	From the Leader	<p>“Grant funding under the new Administration is something we are still working on and waiting for on direction from Government around certain grants.</p> <p>The initial 60% is not something that suddenly appeared overnight but a lengthy process, over time, mitigated by some internationally scoping political events that blew up the economy, construction prices went up and delays happened because of these things. On top of this there was a theft from the site that added to the delay.</p> <p>I think a factor is with how the lengthy process of applying for and then receiving Government grants is drawing out and, in that time, we saw prices rise faster than the process, is a something that must also be considered.”</p>
QUESTION		
Cllr P Honeywood	To the Housing & Planning Portfolio Holder	<p>“My understanding is that work started on the project on the 16th of October 2023. The first time it appeared in the Council chamber was during the HRA budget speech on the 13th of February. At that point, the leader said that there was a favourable impact on the Council's finances around this project and homelessness. So, it's clear at that point, he was unaware of any problems.</p> <p>The next key date to me is the 4th of March. On the 24th of May at the Cabinet, Councillor Baker told us that he had been discussing this with a Corporate Director (Operations and Delivery) ever since. I imagine the 4th of March is the date that Councillor Baker became aware of the issue.</p> <p>On the 5th of March, which was the Scrutiny Committee the next day, I raised that again. As you know, I've had concerns about this project for quite some time. I asked the question, 'Before it was going to open in April, we're now talking later this year. Do you know if we are going to incur any additional cost</p>

		<p>for that?' Your response was, 'I can't comment on that at the moment. I can get you an answer, but at the moment, obviously, we are looking at an extension of time, so there may be costs attached to that, but they may well be. I can't say right now.' Which is a fair response because we're talking one day later than you've known.</p> <p>That obviously ties in with this question which is at the committee's meeting on the 5th of March 2024. You were asked about Spendells, the timetable for it to be delivered, and the cost. Your response at that time was that you did not know, you did not have the project spend costs at the time. Did you know at that stage that there were considerable amounts of unauthorized expenditure?"</p>
<b>ANSWER</b>		
	Response of the Housing and Planning Portfolio Holder	<p>"There's a lot to take in there, so apologies if I miss anything. I'm not trying to catch anyone out, I'm trying to get a clear, straight sequence of events. If I miss something you've asked, please forgive me.</p> <p>I knew at the end of February that there was a potential problem. I came to this committee on the 5th of March to introduce my portfolio. At that time, as far as I recall, we'd also had a theft on the site that had put the program back by two to three weeks. We weren't sure how long that was going to be at that stage.</p> <p>No, I was not aware of the cost and I wasn't aware of the total cost until I returned from holiday in May. Because up until that time, there was no specific amount as to how much more it was going to cost, or what the overspend was likely to be. So, there was no way that I was going to mislead this committee and guess or speculate, especially about how much longer it would take for the project to be completed."</p>
Follow up question from Councillor P Honeywood		<p>"The next key date for me was the 19th of March 2024, which was the full Council where the Leader made his state of Tending speech. I asked the question, Spendells, we now hear it's overdue, but do we know if it's over budget? Can you let us know?' Councillor Stephenson was kind enough to respond. He said, 'As for Spendells, that is going fine. We are hoping to see that delivered one month later than possible, but where we are at the moment, I'm happy to give an update on that.</p> <p>My concern is that there seems to be a communication breakdown. Obviously, Councillor Baker has concerns, but you (the Leader) don't appear to be aware of them. Can you see where I'm coming from?"</p>
	Response from the	<p>"At the time, I was talking about the delay. We definitely knew there was going to be some sort of delay, partly because of things like the theft. It got delayed longer than we expected. As</p>

	Leader of the Council	for the money, that was still in flux. There was a question whether it was an actual problem. Councillor Baker said there was a potential problem. So, at that time, it was still a potential problem. I erred on the side of caution and just said things were going okay. I'm happy to own that it wasn't okay, as it transpired, it started to get worse. We didn't find out until Councillor Baker got back in May to what extent it had gotten to."
Follow up question from Councillor P Honeywood		<p>"The next key date came up on the 19th of April at the Cabinet meeting. I asked the question, 'How much are we overdue and from a financial perspective, is there an additional cost now? Are we running over budget on that?'</p> <p>Councillor Baker responded, 'In regard to the first part of the question, it will be longer. I will be having a meeting with officers to clarify certain things on Monday as to a timeline, but we are overdue. August has been suggested, but I don't want to be held to that. With regard to the cost, there is likely to be further costs. What those are, I am unable to tell you right now. Obviously, that again is a conversation I'll be having on Monday and going forward over the next couple of weeks. Then I'll hopefully be able to give you a much better answer, but at the moment, I don't want to give a speculative amount that would be wrong.</p> <p>It seems that things are far from where they should be. Obviously, on the 15th of May, we had the Cabinet report published where the figure of 2.25 million pounds was mentioned. On the 21st of May, we then had the late Cabinet report published which was the 2.337 million pounds. At that Cabinet meeting, I asked about it being out of control and you said that you'd been assured that this was the final number. You finished with 'Yes, assurances still stand. I feel very confident that is the final number.'</p> <p>Moving to the next point, which was the 11th of June, the Chief Executive, who has already discussed this, approves the additional 60,000 pounds from the cash incentive scheme which is under my question too. On page 10 of the Spendells supplement, it mentions a decision budget which involved approval of 60,000 pounds additional expenditure on the Spendells project concerning fire doors. This decision was dated 10th of June 2024, being just over two weeks after the Cabinet was approving 850,000 pounds additional funding from the capital's reserves for this project. That makes the current overspend 960,000 pounds on a tender price for this project of 1.25 million pounds.</p> <p>Should we be concerned that yet more cost rises for the budget will come through? Should the 60,000 pounds have been picked up in the report to the Cabinet on the 24th of May? Why was the 60,000 pounds then an Officer decision rather than a Portfolio Holder one?"</p>

	Response from the Chief Executive	<p>"I can reiterate the 60,000 pounds issue, which was straightforward. We were advised by Building Control after that meeting (May Cabinet) that the doors which were there were not compliant. Therefore, the additional 60,000 pounds, which I agreed to, was necessary. If we'd have delayed, the cost would have increased because they were on site getting it done as opposed to leaving it. So, it became a decision which I could make. I made the decision in order to keep the cost to a minimum and for the safety, which as I said earlier, was absolutely key that we put the right materials in place to protect residents. That was why the decision was made after the Cabinet meeting and why you didn't have the information in the report because if we'd have known it, I'd have put it in the report."</p>
<b>QUESTION</b>		
Cllr P Honeywood	To the Corporate Director (Operations and Delivery)	<p>"On page 22 of the report, it refers to the 850,000 pounds of then unauthorized expenditure on the project. To what extent did this issue arise due to capacity issues in the service area concerned? How do you spot capacity issues? How do you guard against them and what immediate steps can you take when they arise?"</p>
	<p>Response from the Corporate Director (Operations and Delivery)</p> <p>Response from the Chief Executive</p>	<p>"Some of that I think, with the review, I'm going to be cautious about. But capacity issues are things that we look at. You can judge those through sickness levels, through staff coming to talk to you about the issues that they're experiencing. Managers are obviously aware of what's happening in their area and then push that information back up for discussion about how we deal with it.</p> <p>So ultimately, it's not one thing that leads you to understand capacity issues, but multiple things that say, 'Well hang on a minute, this is happening, that may not be going right, people are going off sick, how do we deal with it?' So generally, that's how I would look for capacity issues and then people report it back so that we can look at how we would address those issues."</p> <p>-----</p> <p>"If I may add to that, Councillor Honeywood, you raise a really good point about capacity. I'm going to speak not specifically about this one, but about homelessness. The homelessness challenge for district councils is ever-growing. We have no control over it whatsoever. We have no control in terms of what we can and can't do. So, the issues arise in terms of managing a service. Anybody who runs a business or manages a service, which you can't control the numbers and you have a legal requirement to carry on doing, it is almost impossible in terms of our capacity to therefore put in place additional resources.</p> <p>It's a good question about how do we make sure we manage that and how do we handle it when you've got no ability to say, 'Sorry, we're full now, we haven't got the capacity.' We have a</p>

		<p>legal requirement to complete, so that challenge to district councils and the public sector around those sorts of services are really difficult.</p> <p>In terms of our individual projects, then in order to try and ameliorate that impact, that's where we try and put in place the right things. As you know, in this case, part of that was done incorrectly. But to ameliorate that impact, that was the challenge around adding capacity in order to address the issues, which is a much wider issue for local government around homelessness."</p>
<b>QUESTION</b>		
Cllr P Honeywood	To the Leader of the Council	<p>"In Appendix B on page 35, sections A, B, and C, it mentions that since the May report was published, there have been ongoing discussions involving the Chief Executive, Monitoring Officer, S151 Officer, and Head of Internal Audit. The initial first steps were taken by the Chief Executive, which are outlined in three points of action. These actions are being taken by the Chief Executive. My question to the Leader is: What actions have you taken from a Cabinet perspective?"</p>
<b>ANSWER</b>		
	Response from the Leader of the Council	<p>"As soon as we found out, I spoke to my Cabinet Members. They've all been asked to hold discussions with their leading officers around performance, budget, risk, and governance. I want to ensure that they are on top of it as best they can be.</p> <p>From a Cabinet point of view, we were already engaging with officers on a regular basis. Most of the Cabinet meet with their officers bi-weekly, if not monthly, so we get regular updates on projects and other matters. Unfortunately, this is one of those things that went wrong. We're going to do a review, which I believe will highlight why it went wrong.</p> <p>We've been transparent, which is evident here. We've got the section five report, we're here, we told you about it. We were always keen about transparency and sustainability, which was the portfolio mandate. There are other things that are going on all the time, and we won't always have 100% assurance because it's down to people.</p> <p>The project board, the portfolios, everybody is doing exactly what they should be doing. We've done a really good job of getting to where we are. You talk about the budget spiralling, that budget came in in the summer of 2022. We had some serious world economic issues at that time.</p> <p>It's one project that failed, but we've got successful projects as well. We can focus on what went wrong, and you can do the job as a scrutiny. I appreciate that being the scrutiny Chairman, but we also get it right. We don't talk about our successes well enough. Honeycroft being one.</p>

		<p>We've got the single project board in place; we've got good governance. I'm very happy with the governance around the way we do things. We just need to do the review and see what comes out of that. But coming back to your original question, I've had a long chat with all the cabinet in one sitting. We talked about performance, the budget, the risk, and the governance. I'm happy as they are. Nobody's raised anything with me at the moment, so I'm happy to say yes, I've had those conversations."</p>
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