
Report to: Council

Date of Meeting: 18 May 2023

Subject: Westhaugh (Travelling Persons Site) Redevelopment Capital Project – Capital Budget Commitment

Report by: Strategic Director (Place)

1.0 Purpose

- 1.1. This report provides an update to Council on the Capital Budget requirement for the Westhaugh Travelling Persons Site redevelopment.
- 1.2. There has been a 25% increase in costs from the £4.195m previously approved by a Special Meeting of Council on the 16th of February 2023. The value of the increase is £1.305m, bringing the total project cost to £5.5m. Therefore, further governance is required to confirm if this project is to go ahead in its current scope and if so, to allocate the additional capital funding from the HRA account.

2.0 Recommendations

- 2.1 It is recommended that Council:
 - 2.1. Approves a further £1.305m to be allocated to the project by increasing the approved Total HRA Capital allowance (2023/24) from £15.261m to £16.566m,
 - 2.2. Approves that this will be delivered in line with the HRA approved borrowing for 2023/24 (3.24),
 - 2.3. Otherwise note the report commenting and challenging as appropriate.

3.0 Considerations

3.1 Background

- 3.2. As reported to Council, the Westhaugh site had reached the end of its useful life and required investment for replacement. This was principally around the fact that the site did not and could not meet stringent fire regulations being imposed by the Scottish Housing Regulator (SHR) on behalf of the Scottish Fire Service.

- 3.3. Following a competitive bidding process the Council were awarded grant funding to redevelop the Westhaugh Site. As reported to Council in February 2022, the Council secured Scottish Government funding to take forward improvements on the site, with up to 60% of the cost of the re-development being met. The grant funding by the Scottish Government, is worth a £2.5million with a funding commitment over the next two financial years. Clackmannanshire Council were successful in obtaining the highest level of grant award for a contribution to the redevelopment costs or new build Travelling Persons Site of any local authority, so far awarded grant for this purpose.
- 3.4. The council's financial commitment to the project is currently set and approved at £1.669million. This allowance by the council forms part of the match funding element of the grant governance requirement. The spend profile for the governance states that the council must meet as minimum 40% of the of the total projects costs to receive the grant funding.
- 3.5. The redevelopment project has now reached the demolition stage with warrants granted for works to proceed. The building warrant application has been submitted, with amendments, to proceed to start build on site from early June 2023.
- 3.6. **Engagement with hub East Central Scotland Limited (hubco)**
- 3.7. As part of the Councils competitive bid to the Scottish Government, the council stated it was going to utilise the hubco framework arrangement to proceed with this project.
- 3.8. The council entered into a procurement process with hub East Central Scotland Limited (hubco) in January 2022. This was after solution architecture events in line with the place standard toolkit (in line with the bid the Council had made to the Scottish Government) had taken place. The solutions architect work produced a specification that met both the council's compliance requirements, the design specification from the Scottish Government as well incorporating resident involvement for how they wanted to use the site.
- 3.9. The specification was provided to hub East Central Scotland Limited in July 2022. At this point, an affordability cap, in line with social sector pricing norms, was applied. This was determined to be £4.195million. This figure of £4.195million was set as the project's affordability cap and was confirmed with an award from the council to the company on this basis. This was confirmed during the tendering exercise conducted jointly by Clackmannanshire Council property services and commercial teams from to hub East Central Scotland Limited and Hadden Building Group.
- 3.10. Monthly progress meetings between the council officers and hub East Central Scotland Limited routinely confirmed the affordability cap was still within financial control. These meeting were attended by the principal contractor Hadden Building Group. On multiple occasions, when the Acting Senior Manager for Housing and Team Leader (HRA Planned Works) were in attendance with hUBCO as well as the principal contractor it was requested that the contractor confirm they were within financial governance. Assurances were received to be the case.

3.11. Cost Movement Reporting

- 3.12. Hub East Central Scotland Limited approached the Team Leader (HRA Planned Works) verbally late afternoon on the 10th of February 2023, to advise that they had received a cost report of £7.1 million from the principal contractor Hadden Building Group. This was after the public issuing of the Clackmannanshire Council Housing (HRA) Budget Report for 2023/24.
- 3.13. As the Team Leader was finishing for a period of annual leave it was not possible to infiltrate this cost proposal further. However, the Team Leader requested further detail and for it to be put in writing by hubco. This confirmation was received by email on the 22nd of February 2023.
- 3.14. Workshops to examine in detail the cost increase took place on the 23rd of February 2023, the 1st of March 2023 and the 6th of March 2023. This included council officers and commercial teams for both hub East Central Scotland Limited and Hadden Building Group.
- 3.15. The workshops determined that the movement was based on inflationary measures of costs at the sub-contractor level and lack of construction value adroitness. Moreover, the main driver being the costs for Passivhaus standard.
- 3.16. The workshops then focused on cost engineering a solution that would reduce the financial commitment without comprising the overall project governance with the grant conditions and Scottish Governments design guide.
- 3.17. Following the value engineering exercise, the external project cost was reduced to £5.2million. This cost has now been confirmed as the project financial close figure. This figure was agreed on the 6th of March 2023. The main element removed was the costs for Passivhaus (at a near £90k per unit), with the cost for the additional work for additional energy efficiency, never likely to see a return on investment for such a small difference from the project's 'A' energy efficiency rating.
- 3.18. These external costs added to the internal cost requirement for logistics, storage, and other tenancy-related items concludes the project spend at £5.5million.
- 3.19. Allowing for the above timeline it was not possible for the HRA Capital Budget in February 2023, to be reflective of the revised price requirement.
- 3.20. Therefore, Council requires as per standing orders to approve both the project proceeding and an additional £1.305m capital investment as the variance in approved budget as the revised budget is more than £100k.

3.21. HRA Funding Requirement

- 3.22. As reported to Audit committee 20 April, the HRA was forecasting a projected surplus of around £6.4m in 2022/23. Initial indications at year end are this still on target. Including the existing surplus of £9.6m from 2021/22, this brings the total surplus to £16M. The expected capital programme in 2022/23 was projected at £10.3m, however the December forecast (as reported to Audit Committee 20 April, 2023) revised this down to £8.8m.

3.23. The HRA Reserves at 31 March 2023 are still expected to be £5.5m with £4.6m of this available to offset capital expenditure in future years after allowing for minimum reserves of 4% which equates to £0.821m and funds earmarked for the IT system £0.142m.

3.24. In 2023/24, reserves above the minimum 4% are expected to be applied to fund capital expenditure, returning reserves to their minimum level of 4% (£0.8m) of rental income by 31 March 2024. Reflecting the amended outturn position for 2022/23, after use of reserves the HRA would now require borrowing of £4.6m as opposed to the £6.2m outlined at Council (February 2023) to fund the £15.261m agreed capital expenditure.

3.25. However, if the additional £1.3m expenditure for Westhaugh is approved, this will increase the total capital expenditure to £16.566m. This will require borrowing of £5.6m. This, crucially, will still be within the overall approved HRA borrowing agreed by Council in February 2023. This is due to the improvement in the December outturn position, as opposed to the September outturn that was utilised in the formation of the budget report.

3.26. **Scottish Government Position**

3.27. The Scottish Government have confirmed that the Gypsy/Traveller Accommodation Fund for 2023-24 and 2024-25 is fully committed to Clackmannanshire and other qualifying authorities. However, Cllr McTaggart, in her role as Spokesperson for Housing and Property, will be writing to the Housing Minister to request that the Scottish Government provides further additional grant, subject to the decision of Council. A copy of the letter can be found as appendix A.

3.28. **Consultation**

3.29. The Service has a statutory obligation to consult with tenants, views have been sought from Clackmannanshire Tenants & Residents Federation (CTRF), with the Senior Manager attending the CTRF management meeting on 4th May 2023.

3.30. The CTRF have expressed that they are disappointed in the increase in costs and the late notice of such. They appreciate, that with the residents fully decanted, that progress now must be made. The CTRF also welcomed that the costs will be borne in line with the approved borrowing headroom agreed in February. Moreover, CTRF support efforts by the Spokesperson for Housing and Property to secure additional finance and they have also written to the Minister on this point.

4.0 **Other Considerations**

4.1 The Council has decided on the Passivhaus Standard for the Wellbeing Hub/Lochies replacement project. The removal of this standard for these properties should not be seen as having any bearing on that project. This is because the expected asset life will be/designed longer for the wellbeing hub rather than these homes. In addition, Swimming pools and other public buildings are substantial energy users where, the economic benefits of additional efficiency, will still deliver financial savings over the asset use.

Moreover, the energy and costs of the wellbeing hub will be borne by directly by Council, unlike the Westhaugh homes.

5.0 Sustainability Implications

- 5.1 The redevelopment of Westhaugh will provide new units with very high energy ratings 'A'. This will help residents reduce their carbon footprint.

6.0 Resource Implications

6.1 Financial Details

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

6.4 Staffing

- 6.5 As per the Scottish Government letter to the Chief Executive and the subsequent response, the Council is committed to the delivery of this project.

7.0 Exempt Reports

- 7.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

- 7.2 The report contains contractual information.

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(9) Our Priorities (Please click on the check box)

Clackmannanshire will be attractive to businesses and people and ensure fair opportunities for all

Our families, children and young people will have the best possible start in life.

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(2) Council Policies (Please detail)

Westhaugh Travelling Persons Site (10 December 2020)

Westhaugh Travelling Persons Site – Engagement Update (18 March 2021)

9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes

No

10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A.

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered).

Yes

No

(please list the documents below)

As above Council policies

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Gavin Wright	Team Leader (HRA Planned Works)	5171
Tony Cain	Acting Senior Manager (Housing)	5128
Alison Morrison	Senior Manager (Property)	2535

Approved by

NAME	DESIGNATION	SIGNATURE
Pete Leonard	Strategic Director (Place)	

