

MINUTES OF CABINET

Tuesday, 18 October 2022
(7:01 - 7:34 pm)

Present: Cllr Darren Rodwell (Chair), Cllr Dominic Twomey (Deputy Chair), Cllr Sade Bright, Cllr Cameron Geddes, Cllr Syed Ghani, Cllr Kashif Haroon, Cllr Jane Jones, Cllr Elizabeth Kangethe and Cllr Maureen Worby

Apologies: Cllr Saima Ashraf and Cllr John Dulwich

40. Declaration of Members' Interests

There were no declarations of interest.

41. Minutes (20 September 2022)

The minutes of the meeting held on 20 September 2022 were confirmed as correct.

42. Land at London Road / North Street, Barking - Extension of Development Loan

Further to Minute 33(viii) (20 October 2020), the Cabinet Member for Regeneration and Economic Development presented a report on a proposal to increase the development loan being provided to Robyna UK Ltd to facilitate the development of the former White Horse site and adjacent bus stand at London Road / North Street, Barking.

The Cabinet Member explained that since the development loan of up to £44m was agreed in October 2020, which represented approximately 80% of the total development cost, building cost inflation had increased the total projected development cost from £56m to £67.4m for the 196-unit scheme. The total development loan sought was now a maximum of £52m, with the additional £8m being on the same general terms as previously approved but at a higher fixed interest rate and enhanced non-utilisation fee to reflect the Council's additional costs of borrowing in the current economic climate.

Cabinet **resolved** to:

- (i) Approve the extension of the development loan to Robyna Limited in respect of the London Road / North Street development from £44m to £52m on the terms set out in Appendix 1 to the report in light of the recent significant increase in building cost inflation;
- (ii) Delegate authority to the Strategic Director, Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Economic Development, the Strategic Director, Finance and Investment and the Chief Legal Officer, to agree the documents to fully implement and effect the proposals set out in the report; and

- (iii) Authorise the Chief Legal Officer, or an authorised delegate on her behalf, to execute all the legal agreements, contracts and other documents on behalf of the Council.

43. Gascoigne Estate (East) Phase 3B Redevelopment Project

Further to Minute 106 (20 April 2021), the Cabinet Member for Regeneration and Economic Development introduced a report on the proposed Gascoigne Estate (East) Phase 3B redevelopment project.

The Cabinet Member advised that the Phase 3B project represented a major element of the Gascoigne Estate regeneration programme and was intended to deliver 334 new homes, 50% of which would be at affordable rents. However, the rising cost of construction projects in the current economic climate had severely impacted the financial viability of Phase 3B in the context of the financial metrics within the Council's Investment and Acquisition Strategy, which was overseen by the Investment Panel.

Following a procurement exercise via Lot 2 of the Be First Development Framework, Wates Construction Ltd had been selected as the preferred bidder for Phase 3B. In light of the financial viability issues, Be First proposed the use of a Gross Maximum Price (GMP) contract which meant working with the contractor using an open-book approach during the supply chain tender process, in order to maximise value for money and mitigate the Council's financial exposure prior to committing to the main works.

Phase 3B had been awarded £16.1m grant from the Greater London Authority (GLA) on the basis of a construction start date of March 2023 and the Cabinet Member highlighted other key reasons for progressing the project on time and the options analysis within the report. It was noted that entering into a build contract to deliver the consented scheme (Option E) was considered to be the preferred option as it would enable the project to continue to be delivered within the planned timescales, provide the greatest degree of control over the delivery of the project and optimise the benefits to the local community and the financial performance of the project. The Cabinet Member added, however, that in view of the viability challenges of that option, a number of additional activities would be undertaken aimed at further improving the financial performance of the project, which included:

- Exploring opportunities for additional grant funding towards the affordable homes and community infrastructure through, for example, the use of Section 106, Community Infrastructure Levy and/or additional GLA grant funding;
- Exploring opportunities for reducing operating costs (and increasing net income) by developing a holistic management strategy for the entire Gascoigne Estate that delivered a good quality service for residents, whilst achieving operational efficiencies through economies of scale; and
- Reviewing market rent values.

The Cabinet Member confirmed that once those issues had been resolved and the final contract price confirmed by the contractor, the project would be re-presented to Investment Panel prior to the main works commencing and, if appropriate, a further report would be presented to the Cabinet for final sign-off of the project.

Cabinet **resolved** to:

- (i) Agree to award the Constructing Excellence Contract to Wates Construction Ltd (company no. 01977948) for the Gascoigne Estate (East) Phase 3B redevelopment project on the basis of a Gross Maximum Price of £142,061,994;
- (ii) Approve the total development cost of £166,527,638 subject to the advisory process of the LBBD Investment Panel;
- (iii) Approve the handover loan of £138,049,272;
- (iv) Note the IAS Return with an NPV of -£15,885,868 and a handover loan repaid by year 50;
- (v) Delegate authority to the Strategic Director, Finance and Investment, in consultation with the Leader, Deputy Leaders, the Cabinet Member for Regeneration and Economic Development and on the advice of the Investment Panel, to negotiate terms, agree final arrangements and enter into all necessary contract documents and ancillary agreements to fully implement and effect the delivery of Phase 3B;
- (vi) Agree that the project be presented to Investment Panel to consider and advise the Strategic Director, Finance and Investment regarding his approval to deliver the main works part of the Constructing Excellence contract, once the final contract price was confirmed by the contractor; and
- (vii) Note that should the circumstances of the project change from those set out in the report, a further report would be presented to Cabinet.

44. Revenue Budget Monitoring 2022/23 (Period 5, August 2022) and Q1 Capital Programme Update

The Strategic Director, Finance and Investment introduced the Council's revenue budget monitoring report for the 2022/23 financial year as at 31 August 2022 (period 5), which also included the quarter 1 Capital Programme update and funding allocations from the Government's UK Shared Prosperity Fund (UKSPF) towards various projects over the next three years.

The Council's General Fund revenue budget for 2022/23 was £183.06m, which represented a net increase of £9.4m on the budget for 2021/22. Despite that increase, the forecast outturn position at the end of August showed a projected net overspend of £17.59m, which was an increase of £1.3m on the period 4 position reported at the last meeting.

The Strategic Director advised that the key factors behind the overspend position reported to the last meeting continued to exist and he clarified that the projected 2022/23 Local Government fixed-sum pay award was expected to add approximately 6%, equivalent to £6m, to the Council's annual wage bill. He was confident, however, that the current overspend position would reduce significantly over the coming months as mitigating measures began to take effect and potential risks and opportunities became more apparent.

The revised Capital Programme for 2022/23 was £417.05m, split into £315.5m for the Investment and Acquisition Strategy (IAS), £70.5m for General Fund (GF) and £31.1m for the Housing Revenue Account (HRA), and total spend at the end of quarter 1 was £40.803m. With regard to the UKSPF allocation, it was noted that the Council's submission to the Greater London Authority (GLA), which was overseeing the allocation for London, amounted to circa £3.3m in the first tranche for various projects covered by the Fund.

Several Cabinet Members spoke on the pressures within their respective portfolios and the positive steps being taken by the Council to support the local community, despite the Government's inability to understand and tackle the current cost-of-living crisis. The Cabinet Member for Adult Social Care and Health Integration was particularly critical of the recent suggestion by the Secretary of State for Health and Social Care, Therese Coffey, that one way to alleviate pressures on struggling GPs was to share unused medicines with family and friends, which had drawn stark criticism from the British Medical Association due to the dangers associated with using unprescribed medication. The Cabinet Member for Finance, Growth and Core Services also referred to the inevitable cuts to local authority funding due to the Government's mis-management of the nation's finances.

Cabinet **resolved** to:

- (i) Note the projected revenue outturn forecast for the 2022/23 financial year as set out in section 2 and Appendix A of the report;
- (ii) Approve the revised Capital Programme for 2022/23, including carry forwards to 2022/23, as set out in section 4 and Appendices B and D of the report;
- (iii) Note the capital expenditure at 30 June 2022 (Quarter 1) as set out in Appendix C of the report; and
- (iv) Endorse the Council's submission for UKSPF funding as set out in section 5 of the report and delegate authority to the Strategic Director, Inclusive Growth, in consultation with relevant Cabinet Members and the Strategic Director, Finance and Investment, to allocate and oversee spending in line with the Council's priorities.

45. Procurement of Contract for Removal and Storage Services

The Cabinet Member for Finance, Growth and Core Services presented a report on the retendering of the contract for the provision of removal and storage services for both corporate and residential properties.

The Cabinet Member advised that the new contract would be subject to a full open tender process for a maximum five-year contract and would be divided into two lots; Lot 1 relating to the estate decant services and residential moves where the vast majority of expenditure would be incurred and Lot 2 relating to the Council's office removal service. The Cabinet was particularly pleased to note that Lot 2, as a local function, was expected to attract interest from small/medium-sized local removal companies in line with the Council's Social Value objectives.

Cabinet **resolved** to:

- (i) Agree that the Council proceeds with the procurement of a contract for the provision of removal and storage services, in accordance with the strategy set out in this report; and
- (ii) Delegate authority to the Strategic Director, My Place, in consultation with the Cabinet Member for Finance, Growth and Core Services, the Strategic Director, Finance and Investment and the Chief Legal Officer, to conduct the procurement and enter into the contract(s) and all other necessary or ancillary agreements, including contract extensions, with the successful bidder(s).