

<b>Committees:</b>		<b>Dates:</b>
Projects Sub-Committee		11/05/2016
Housing Management & Almshouses Sub Committee		04/07/2016
<b>Subject:</b> Middlesex Street Estate Programme of Works and Internal and External Redecoration	<b>Combined Issues Report and Gateway 3/4 Options Appraisal</b>	<b>Public</b>
<b>Report of:</b> Director of Community & Children's Services		<b>For Decision</b>
<b>Report author:</b> Jason Crawford, Community & Children's Services Department		

### Summary

#### **Dashboard**

Project Status	Amber
Time Line	Procurement – Estimated to complete by end of January 2017. Gateway 5/contract letting – February 2017. Works – until 2022.
Programme status	Pending Approval of Gateway 3/4 – Options Appraisal
Latest estimated costs	£310,000
Expenditure to date	£5,320 on surveying £1,000 on staff costs

#### **Issues**

Following the decision not to proceed with the Middlesex Street Sustainability Project (MSSP), a Gateway 1/2 Project Proposal for internal and external refurbishment works programme at the Middlesex Street Estate was submitted and approved in December 2014.

The programme comprises the following works:

- lift refurbishment £900,000
- electrical rewire (both landlord and tenant supplies) £800,000
- communal heating system replacement £1,900,000
- ventilation system replacement £250,000
- Internal and external redecorations £310,000. This progression of this project is covered later in this report.
- replacement balcony doors and adjacent glazing £610,000
- Concrete repairs £500,000. This project is already underway (estimated overall budget is £500,000 for testing and major repairs) and £250,000 budget has already been approved at Gateway 3 to cover the testing and immediate repairs element.

As envisaged, the works will be progressed as separate projects, working their way through the gateways as appropriate.

The project costs included above are estimates and are subject to change depending on the options chosen and actual tender costs. These will be firmed up on the individual project reports at the appropriate gateway stages.

The budget agreed at Gateway 1/2 is insufficient to cover the cost of surveys and staff time required to reach the next gateway for all of the schemes listed above. A reassessment of the likely costs, based on experience gained from similar projects, is set out below (as the concrete testing project has already been approved separately the budget costs are not included in the following breakdown):

### Budgets required to reach the next Gateways

	Surveys	Staff Costs	Total
	£	£	£
<b>Budget approved at Gateway 1 / 2</b>	<b>10,000</b>	<b>1,000</b>	<b>11,000</b>
<b>Revised Budgets now requested:</b>			
Lift Refurbishment	5,000	1,000	6,000
Rewire	12,000	400	12,400
Heating & Ventilation	17,500	1,750	19,250
Redecorations	5,320	1,000	6,320
Doors and glazing	7,500	0	7,500
Concrete Repairs	0	0	0
<b>Total Revised Budgets</b>	<b>47,320</b>	<b>4,150</b>	<b>51,740</b>
<b>Increase in budget to reach next gateway</b>	<b>37,320</b>	<b>3,150</b>	<b>40,470</b>

The additional cost is anticipated to be funded as follows:

### Proposed Funding of Additional Costs

Long Lessees	11,196	945	12,141
HRA Reserves	26,124	2,205	28,329
<b>Total</b>	<b>37,320</b>	<b>3,150</b>	<b>40,470</b>

Approval is therefore sought to the increased budgets required in order to progress the various schemes.

**Recommendations** in connection with the issues raised:

- Note that there will be separate Gateway 3/4 reports submitted for each project.
- Note that the options appraisal for each project may vary slightly to the original options appraisals outlined in the Gateway 1/2 report, as the original options may no longer be relevant.

- Approve revised budgets totalling £51,740, an increase of £40,470, as set out in the table above.

### **Gateway 3 / 4 Options Appraisal – Internal and External Redecorations**

#### **Progress to date including resources expended and any changes since previous gateway**

The internal and external redecoration works to which this option appraisal relates were originally included in the 'Project Proposal - internal and external refurbishment works programme at the Middlesex Street Estate', approved at Gateway 1/2 in December 2014.

The cost of survey of minor repairs and redecorations has amounted to £5,320, together with staff costs of £1,000.

#### **Overview of Options**

Option 1 – Undertaking works reactively. This is effectively a piecemeal approach and, from a financial perspective, is unlikely to demonstrate the best value for money due to the higher costs associated with reactive repairs. As there is a significant level of work required this option would not meet the expectations of residents who are anticipating a programme of works to bring the estate up to standard.

Option 2 – Planning an initial 5 year programme and procuring a contract to address the internal and external redecorations sequentially in accordance with highest priority. Based on the survey it was found that certain items in the communal areas were in widely divergent states of repair and decoration. Addressing these under a single contract would be far more cost efficient and less disruptive as a whole.

#### **Proposed way forward**

It is not recommended to undertake any further consideration of Option 1; therefore the options appraisal matrix below solely reflects exploration around option 2.

Option 2 offers the most appropriate approach. The redecoration and minor repairs works are usually carried out on a cycle of 10 years for internal redecoration works and 7 years for external. However, addressing these initially under a 5 year contract would address all of the items noted in the survey as well as providing an initial platform from which to plan the subsequent 7 and 10 year cyclical works programmes.

#### **Procurement approach**

The works will be advertised on the London Tenders Portal.

#### **Financial Implications**

<b>Description</b>	Option 2: 5 year programme
Works Costs	£268,000
Fees & Staff Costs	£42,000
<b>Total</b>	£310,000
<b>Funding Strategy</b>	The works will be funded from the Housing Revenue Account (HRA) which includes circa

	30% service charge recovery (approximately £93,000) from leaseholders for most works.
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## **Recommendations**

1. Approval to proceed with Option 2 – procurement of an initial 5 year programme
2. Note the estimated budget maximum of £310,000.

## **Options Appraisal Matrix**

See attached.

## **Background Report**

Gateway 1/2 Project Proposal – internal and external refurbishment works programme at the Middlesex Street Estate.

## **Appendices**

1. PT4 Procurement Report.

## **Contact**

<b>Report Author</b>	Jason Crawford, Asset Programme Manager
<b>Email Address</b>	Jason.Crawford@cityoflondon.gov.uk
<b>Telephone Number</b>	0207 332 3010

## Options Appraisal Matrix

	<b><i>Option 2 – 5 year programme</i></b>
<b>1. Brief description</b>	A five year programme will be scheduled which addresses all necessary minor repairs and redecoration in priority order in order to meet freeholder duties and maintain the building appropriately.
<b>2. Scope and exclusions</b>	Scope – the decorated surfaces of the interior and exterior of the Middlesex Street Estate. Including railings, painted concrete surfaces, internal corridors and stairwells. Exclusions – all other estates, currently undecorated surfaces.
<b><i>Project Planning</i></b>	
<b>3. Programme and key dates</b>	Procurement – Estimated to complete by end of October 2016. Gateway 5/contract letting – November 2016. Works – until 2021. Internal redecorations (including lift lobby area) to Petticoat Tower to commence in year 1 (early 2017) whilst the external concrete testing is underway. The remaining works to be undertaken in years 2 to 5 subject to the results of the concrete testing.
<b>4. Risk implications</b>	(1) Both approaches are low risk. Any specific on-site risks relating to the works will be assessed, and where possible, designed-out in the pre-works phase. (2) The outcome of the concrete testing and any subsequent repairs may have an impact on the start dates for the external redecoration works. Again, any specific on-site risks relating to the works will be assessed, and where possible, designed-out in the pre-works phase.
<b>5. Benefits and disbenefits</b>	<b>Benefits:</b> (1) Strong cost certainty. (2) Giving confidence to residents that works are scheduled and will take place.

	<p><b>Disbenefits:</b></p> <p>(1) Careful planning required to ensure the sequence is appropriately scheduled around other works on the estate.</p>
<p><b>6. Stakeholders and consultees</b></p>	<p>Members and Ward Members.</p> <p>Residents, including leaseholders via statutory Section 20 consultation. Consultation has already been carried out with all residents of the estate. A number of optional works – including decorating previously undecorated surfaces to improve appearance – were offered, however a majority of residents did not vote for the optional works, meaning only required works will proceed at this point.</p> <p>Departments of City Surveyor's, Comptroller and City Solicitor, Town Clerks and Chamberlain's (including City Procurement).</p>
<p><b>Resource Implications</b></p>	
<p><b>7. Total Estimated cost</b></p>	<p>£310,000</p>
<p><b>8. Funding strategy</b></p>	<p>Housing Revenue Account (HRA) including 30% (circa £93,000) recovery from long leaseholders.</p>
<p><b>9. Estimated capital value/return</b></p>	<p>N/A.</p>
<p><b>10. Ongoing revenue implications</b></p>	<p>Redecoration work is required on a cyclical basis; the standard cycle is 10 years for internal works and 7 years for external.</p>
<p><b>11. Investment appraisal</b></p>	<p>Programming and procuring an initial 5-year programme will offer a better value and cost certainty for these essential works and a starting platform from which to plan the 7 and 10 year cyclical programmes.</p>
<p><b>12. Affordability</b></p>	<p>The cost of these works has been factored into the Asset Management plan for the HRA Estates.</p>

<b>13. Legal implications</b>	Maintaining the assets in a compliant way discharges the City's regulatory and statutory obligations.
<b>14. Corporate property implications</b>	It is important that the City's assets remain in good, safe and statutory compliant condition. Therefore all necessary action should be taken to ensure that assets are kept as such throughout the assets' lifetime.
<b>15. Traffic implications</b>	The detail of the traffic plan for the works phase of the project will be agreed with the successful contractor.
<b>16. Sustainability and energy implications</b>	N/A.
<b>17. IS implications</b>	N/A.
<b>18. Equality Impact Assessment</b>	The proposed works will not have an impact on equality or protected characteristics. The delivery phase of the works will be carefully planned and implemented in conjunction with residents to ensure no adverse impacts.
<b>19. Recommendation</b>	Recommended
<b>20. Next Gateway</b>	Gateway 5 - Authority to Start Work

<b>21. Resource requirements to reach next Gateway</b>	<b>Item</b>	<b>Reason</b>	<b>Cost (£)</b>	<b>Funding Source</b>
	Staff Time	Scheduling, resident consultation procurement	£5,000	HRA (inc. proportional recovery from long leaseholders)
	Principal Designer	Required by regulations	£4,000	
	Specification	To prepare works schedule for tender	£5,000	