

Committees: Corporate Projects Board - <i>for information</i> Projects Sub - <i>for decision</i> Housing Management & Almshouses Sub - <i>for decision</i>	Dates: 29 August 2019 20 September 2019 16 September 2019
Subject: Decent Homes works to Avondale Square Estate SE1 (Phase II) Unique Project Identifier: 11789	Gateway 6: Outcome Report Regular
Report of: Director of Community & Children's Services Report Author: David Downing	For Decision
PUBLIC	

Summary

1. Status update	Project Description: Replacement of kitchens, bathrooms and heating equipment to meet statutory requirements in tenanted properties previously omitted from other Decent Homes programmes on the Avondale Square Estate. RAG Status: Amber (due to programme delay) (Green at the last report to Committee) Risk Status: Low (Low at the last report to Committee) Costed Risk Provision Utilised: £0 Final Outturn Cost: £461,305.30
2. Next steps and requested decisions	Requested Decisions: <u>Projects Sub Committee and Housing & Almshouses Sub Committee</u> 1. To note the content of this report, 2. To note the lessons learnt, 3. To authorise closure of this project.

<p>3. Key conclusions</p>	<p>1. Works were completed within budget but not to the initial timescales envisaged.</p> <p>2. Works to 63 properties were completed (with these works comprised of 57 kitchen, 54 bathroom and 9 heating system replacements). Twenty of the original 72 properties (27.78%) did not grant access and were therefore omitted from the project. A further 11 eligible properties where works had been previously refused opted for inclusion. Upgrades for non-access properties will be referred to the Decent Homes Callbacks project once access has been secured (typically when these flats become vacant).</p> <p>3. A tight 'all-inclusive' specification with clearly defined cost reductions for omissions as opposed to a looser basket rate with an accompanying schedule of rates for additions (as was used in the preceding project) enabled costs to be managed effectively.</p> <p>4. Cost of works was over-estimated at earlier Gateways. This was due to the use of cost data from previous Decent Homes projects where cost control had been a challenge to produce forecasts. The costs from this project can be used as realistic benchmarks for future Decent Homes projects.</p>
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Main Report

Design & Delivery Review

<p>4. Design into delivery</p>	<p>As described to Committee at earlier Gateways, the works to the tenanted properties which comprise this project had previously been omitted from a prior Decent Homes programme. This prior contract had been curtailed early as the approved budget had been exhausted due to unforeseen cost escalation in the properties where works were completed. A decision was taken to procure a new contract to carry out works to these omitted properties incorporating lessons learnt from the management of the previous contract.</p> <p>The project design, consisting of tightly defined 'all-inclusive' specifications, was a large factor in the successful delivery of the project and a significant aid to overall cost control.</p>
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5. Options appraisal	The selected option to procure a contractor to deliver a structured programme of works via open tender successfully delivered the projects objectives. No changes were required during project delivery.
6. Procurement route	The works contract was successfully procured via open tender. The tender generated an appropriate and manageable number of competitively priced bids for evaluation. This procurement route can be recommended for future projects of this nature. Procurement Reference: itt_COL_5729
7. Skills base	The City of London project team had the required skills and experience to deliver the project. An external quantity surveyor was employed to verify contractor valuations and to aid in ensuring rigorous cost control.
8. Stakeholders	Satisfaction surveys have been completed; the project was completed with a 97% resident satisfaction level (based on a survey response rate of 14%).

Variation Review

9. Assessment of project against key milestones	<p>The project progressed as expected throughout the design period with a contractor appointed for October 2017 as anticipated. The start on site however, was delayed for six months at the request of City officers to align the Avondale Square programme with the wider Decent Homes contract which was being delivered by the same contractor. Once underway, the programme was extended to allow for the inclusion of additional properties (as detailed below) and to allow for additional time to secure access to properties where residents were slow or unwilling to respond. The programme delay and extension were not caused by the actions of the contractor and there was no financial implication to the City.</p> <p>Expected completion date at Gateway 5: Early 2018</p> <p>Final completion date: May 2019</p>
10. Assessment of project against Scope	The scope of the project remained largely unchanged throughout both the design period and project delivery with only the number of properties scheduled for inclusion subject to variance. At the previous Gateway, 72 properties were designated for inclusion in this project. However at project delivery, 20 of these scheduled 72 properties designated for Decent Homes works did not grant

	<p>access for the works and were therefore omitted from the project. As works progressed an additional 11 qualifying properties (where works had previously been refused in the preceding project) opted for inclusion. Works were therefore completed to 63 properties in total only, 9 less than those originally budgeted for.</p> <p>Furthermore, on commencement of project delivery, 7 of the scheduled 19 heating system replacements had already been carried out as urgent reactive works due to component failure and were therefore also omitted from the project.</p>
11. Risks and issues	<p>The project proceeded as planned with no significant risks realised. This is largely attributable to the successful application of lessons learnt from previous Decent Homes projects which were incorporated into the project design, specification and procurement which greatly aided the management of the resultant contract. Costed Risk Provision was not applicable to this project.</p>
12. Transition to BAU	<p>The new installations have a defect liability period of 12 months commencing from the date of practical completion (02/05/2019). At the close of this period, the ongoing maintenance of these new installations will transfer to the general Repairs & Maintenance contract.</p>

Value Review

13. Budget	<table border="1"> <tr> <td><i>Estimated Outturn Cost (G2)</i></td> <td> <p>Estimated cost (including risk): £1,000,000 Estimated cost (excluding risk): £1,000,000</p> <p>Costed Risk Provision was not applicable to this project</p> </td> </tr> </table>		<i>Estimated Outturn Cost (G2)</i>	<p>Estimated cost (including risk): £1,000,000 Estimated cost (excluding risk): £1,000,000</p> <p>Costed Risk Provision was not applicable to this project</p>															
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	<i>Costed Risk Provision</i>	£0	£0
	<i>Recharges</i>	£0	£0
	<i>Other*</i>	£0	£0
	<i>Total</i>	£723,081.57	£461,305.30
	<p>Please confirm whether or not the Final Account for this project has been verified.*</p> <p>Not Verified</p> <p>Verification by Chamberlains not required as project does not exceed risk or budgetary thresholds.</p>		
14. Investment	N/A		
15. Assessment of project against SMART objectives	<p>This project brought 63 residents homes up to required standards and ensured compliance with statutory obligations. The objective at project initiation was to upgrade 72 homes.</p> <p>The programme of works was delivered to the desired specification and within the agreed costs with minimal variation. Value for money has been demonstrated by the cost savings apparent when compared to previous Decent Homes projects.</p>		
16. Key benefits realised	<ol style="list-style-type: none"> 1. Improved and modernised facilities for the residents living in the 63 properties where works were completed. 2. The value of the City's Housing assets was maintained. 3. Compliance with statutory measures. 4. Newly installed kitchens have expected lifespans of 20 years. 5. Newly installed bathrooms have expected lifespans of 30 years. 		

Lessons Learned and Recommendations

17. Positive reflections	<p>Works were done to a high standard with a resident satisfaction level of 97% (the survey had a response rate of 14%).</p> <p>There was a significant improvement in cost control as compared to the earlier phase of Decent Homes works to the Avondale Square Estate. A tightly defined specification,</p>
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whereby tendered costs for component installation were 'all-inclusive' and generally only subject to variation by reduction (by the instructed omission of any priced for item not required) has proved a far more effective way to control costs than the model previously applied where a more loosely defined basket rate for key components was subject to multiple additions by variation where extra items were added in from a schedule of rates to complete the installation.

This is demonstrated by a direct cost comparison between this contract and its precursor. Although the basic component rates for the 'all-inclusive' Phase II were, as would be expected, in some cases in significant advance of the Phase I rates,

Component	% Cost Increase in basic rate from Phase I to Phase II
Small Kitchen	20.75%
Medium Kitchen	26.57%
Large Kitchen	16.00%
Bathroom	36.78%
Heating System	6.21%

the average final cost per property for Phase II, once variations are taken into account, were considerably lower than Phase I.

The Phase I contract, which concluded in 2016, had an average spend per property of £10,507. This sum included costs for electrical testing and any identified remedial works to the internal electric supply within each property. By contrast, the Phase II average spend per property was only £6,920 although this excluded electrical works which were carried out to these properties in advance of this project. In order to make a meaningful comparison therefore, a sum of £450 per property (the average spend from the pre-contract electrical works) should be added to give a revised per property total of £7,370.

There was therefore an average saving of £3,137 per property between the two contracts despite the tendered main component costs for Phase II being significantly higher than those for Phase I. The change in emphasis in contract

	<p>management from varying the contract to increase the price of initially lower priced, yet less defined, basic rates by the addition of necessary extras to complete the installations to varying the contract to reduce the cost of a higher priced complete installation by omittance of unneeded items has proved significant.</p> <p>The improvement in project delivery cost control has had the associated benefit of minimising the expenditure on professional fees and staff costs which were far lower than anticipated. Contract valuations were non-contentious with only limited oversight from the external quantity surveyor required. The contractor, TSG Building Services Ltd, was already familiar with the City's requirements and only light touch project management was necessary to see the project through to a successful conclusion.</p>
<p>18. Improvement reflections</p>	<p>As detailed above, 20 of the 72 properties specified at the previous gateway (27.78%) scheduled for improvement works in this project did not grant access for the works. Although this a lower refusal rate when compared to other Decent Homes projects carried out recently (the prior 2016 project had a no access rate of 34.26%), additional work engaging with residents should be considered for future projects to reduce this rate further (with the acceptance that there are always likely to be some residents, particular the elderly or those with young families, who may not desire the short disruption that these works would necessarily entail at any given time).</p> <p>Increasing early engagement with residents would have the associated benefit of reducing pressure on the programme as time lost repeatedly seeking access to hard to reach properties would be minimised.</p> <p>Aligning this project with the wider Decent Homes contract could have been done at an earlier stage.</p> <p>The budget estimated at earlier Gateways was over-estimated as was largely based on previous Decent Homes projects where cost control had proved challenging. This project will now form a realistic benchmark for estimating future projects of this nature.</p> <p>The Gateway 5 estimate for fees and staff costs were in hindsight over-stated. Estimates were based on previous Decent Homes projects where cost control had been an issue which had required far more intrusive project management</p>

	and independent oversight. Similar estimates could be adjusted downwards as appropriate for future similar projects.
19. Sharing best practice	<p>1. Dissemination of key information through team and project staff briefings.</p> <p>2. Lessons learned logged and recorded on departmental SharePoint.</p>
20. AOB	N/A

Appendices

Appendix 1	Project Coversheet
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Contact

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