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| <b>Committees:</b><br>Housing Management & Almshouses Sub Committee<br><br>Projects Sub Committee                                    | <b>Dates:</b><br>30 November<br>2020<br>17 December<br>2020 |
| <b>Subject:</b><br>Dron House Window Replacement and Common Parts Redecorations<br><b>Unique Project Identifier:</b> 11548           | <b>Gateway 5:<br/>Regular Authority to start work</b>       |
| <b>Report of:</b><br>Director of Community & Children's Services<br><b>Report Author:</b><br>Jason Crawford, Asset Programme Manager | <b>For Decision</b>   |
| <b>PUBLIC</b>  |   |

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| <b>1. Status Update</b> | <b>Project Description:</b> This project will address the need for the Window Replacements at Dron House as well as a basis for establishing a platform for programming the future cyclical redecorations for the internal and external common parts across the Estate.<br><br><b>RAG Status:</b> Red (Amber at last report to Committee)<br><b>Risk Status:</b> Medium at last report to committee<br><b>Total Estimated Cost of Project (excluding risk):</b><br>£1,598,184 (including spend to date, fees & staff costs)<br><b>Change in Total Estimated Cost of Project (excluding risk):</b><br>£641,439<br><b>Spend to Date:</b> £23,742.32 (Fees £11,945, Staff costs £11,797)<br><b>Costed Risk Provision Utilised:</b> N/A<br><b>Slippage:</b><br>Cost – The estimates provided at Gateway 3/4 were based on uPVC as the preferred option for materials. The uplift in cost is associated with the planning conditions which set out the requirement for Aluminium Windows, which is more costly. In |
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|                               | <p>addition to this, additional costs associated with implementing enhanced safe working and social distancing measures have had to be factored in for the works as a result of the Covid-19 outbreak.</p> <p>Time – The uplift in costs and the impacts of Covid-19 meant that many of our projects had to be deferred, during which a detailed financial impact assessment was undertaken with colleagues from the Chamberlains Department. Furthermore, risks of the potential for Leaseholders challenging the service charge recovery were also escalated to the Head of Major Works and Assistant Director of Barbican &amp; Property Services in September 2019 and guidance sought on how to proceed with the project. The risks were raised in HMA Sub Committee.</p> <p>Having completed the financial impact assessments with Chamberlains department and following consideration of the risks, instruction to proceed to tender was issued July 2020 and we are now seeking Committee approval to award the contract originally tendered in 2019.</p> |
| <b>2. Requested decisions</b> | <p><b>Next Gateway:</b> Gateway 6: Outcome Report</p> <p><b>Next Steps:</b></p> <p>Appoint AD Construction to deliver the window replacements and estate wide redecorations programme.</p> <p><b>Requested Decisions:</b></p> <ol style="list-style-type: none"><li>1. That the appointment of AD Construction to deliver the windows replacements and estate wide redecorations programme be approved.</li><li>2. That additional budget of £1,574,441 is approved to reach the next Gateway; comprised of £1,499,468 for the tendered works contract and £74,973 for fees and staff costs.</li><li>3. Note the revised estimated total project budget cost of £1,598,184 (Including spend to date but excluding risk).</li><li>4. Note the risks of the potential for Leaseholders to challenge the service charge recovery, as notified under item R1 on the attached risk register (Appendix 2).</li></ol>  |
| <b>3. Budget</b>              | In June 2017, an issues report was submitted, and Project Sub Committee gave approval to split the Windows replacement and Redecorations programme into a number of separate work packages.   |

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Following this a Quantity Survey was undertaken by Mooney Kelly, the estimates were revised and an estimated budget of £16,905,452 for all blocks/estates was notified to Committee at Gateway 3/4. This was broken down as follows:

|             | Golden Lane | Holloway   | Southwark  | Dron House & Sydenham Hill | William Blake & Windsor House | Tot         |
|-------------|-------------|------------|------------|----------------------------|-------------------------------|-------------|
| Works       | £7,497,570  | £1,578,788 | £2,970,552 | £1,270,676                 | £1,776,569                    | £15,094,154 |
| Consultancy | £749,757    | £157,879   | £297,055   | £127,068                   | £177,657                      | £1,509,415  |
| Staff costs | £149,951    | £31,576    | £59,411    | £25,414                    | £35,531                       | £301,883    |
| Total       | £8,397,278  | £1,768,242 | £3,327,018 | £1,423,157                 | £1,989,757                    | £16,905,452 |

Having reviewed the intended approach to procurement and due to the uncertainty around the length of time planning applications might take (especially across different planning authorities) it was decided to submit the planning applications and tender the works on Dron House separately from Sydenham Hill. The initial intention being that we would use Dron House as a pilot from which we could apply lessons learned during the planning application and tender processes to the subsequent tenders.

This in hindsight has been deemed to have been a well-considered approach as we have experienced severe delays in some of the planning applications with the relevant planning authorities on some of the other estates (specifically Holloway in Islington and Sydenham Hill in Lewisham, which is still ongoing). These will be addressed separately in the subsequent Gateway 5 reports for the respective Estates.

Having taken on board some of the lessons learned at the planning application stages it was subsequently agreed to do the same for William Blake Estate and Windsor House, insofar that we would submit the planning applications and tender the works for each Estate independently. The main risk was that a delay on the planning applications on one Estate may prevent us tendering the works across both.

A full and compliant tender process has now been completed for the works at Dron House. The tender process was open non-OJEU. The evaluation criteria was split 60% quality and 40% technical. The gap between 1<sup>st</sup> and 2<sup>nd</sup> ranked supplier was 0.18 and therefore extensive evaluation and clarifications were carried out. The average quality score was 32/60 and the recommended contractor scored above this at 36/60.

1<sup>st</sup>- AD Construction 76/100

2<sup>nd</sup>- Diamond Building 75.49/100

3<sup>rd</sup>- Mulalley 71/100

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|                          | <p>Nine tenders were received and fully evaluated on the quality and cost criteria from which AD Construction were identified as the winning Bidder.</p> <p>AD Construction's submission was evaluated as the highest in the technical evaluation and their pricing submission was the lowest of the tenderers and is around 17% cheaper than the average.</p> <p>Based on AD Construction's bid, the total costs are now estimated as follows:</p> <table border="1"> <thead> <tr> <th>Item</th><th>Reason</th><th>Cost (£)</th></tr> </thead> <tbody> <tr> <td>Works</td><td>Contract Value</td><td>£1,499,468</td></tr> <tr> <td>Expenditure to date</td><td>Staff Costs<br/>Fees</td><td>£11,797<br/>£11,945</td></tr> <tr> <td>Consultancy Fees</td><td>Design / Surveyors / Structural Survey / Building Regulations Application fees</td><td>£37,487</td></tr> <tr> <td>Staff Costs</td><td>Staff fees</td><td>£37,487</td></tr> <tr> <td><b>Total</b></td><td></td><td><b>£1,598,184</b></td></tr> <tr> <td><b>Funding</b></td><td>HRA Capital Works (including 46% proportional recovery from long leaseholders)</td><td></td></tr> </tbody> </table> <p><b>Costed Risk Provision requested for this Gateway: n/a</b></p> | Item               | Reason | Cost (£) | Works | Contract Value | £1,499,468 | Expenditure to date | Staff Costs<br>Fees | £11,797<br>£11,945 | Consultancy Fees | Design / Surveyors / Structural Survey / Building Regulations Application fees | £37,487 | Staff Costs | Staff fees | £37,487 | <b>Total</b> |  | <b>£1,598,184</b> | <b>Funding</b> | HRA Capital Works (including 46% proportional recovery from long leaseholders) |  |
|--------------------------|--|--------------------|--------|----------|-------|----------------|------------|---------------------|---------------------|--------------------|------------------|--|---------|-------------|------------|---------|--------------|--|-------------------|----------------|--|--|
| Item                     | Reason   | Cost (£)           |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| Works                    | Contract Value   | £1,499,468         |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| Expenditure to date      | Staff Costs<br>Fees  | £11,797<br>£11,945 |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| Consultancy Fees         | Design / Surveyors / Structural Survey / Building Regulations Application fees   | £37,487            |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| Staff Costs              | Staff fees   | £37,487            |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| <b>Total</b>             |  | <b>£1,598,184</b>  |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| <b>Funding</b>           | HRA Capital Works (including 46% proportional recovery from long leaseholders)   |                    |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| <b>4. Design summary</b> | <p><b>This project will address the following:</b></p> <ol style="list-style-type: none"> <li>1. Replacement of aging, poorly performing single glazed timber and steel fenestration windows on all residential properties across the estate with thermally efficient double glazed Aluminium fenestrations compliant with current building regulations requirements.</li> <li>2. Redecoration of estate wide internal and external common parts to facilitate future cyclical redecorations programmes. Redecoration in this context applies to the cleaning, sanding and repair of previously decorated surfaces, followed by the application of coatings (undercoats, paints and varnishes) as may be required to achieve the desired finish upon those surfaces.</li> </ol>  |                    |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |
| <b>5. Delivery team</b>  | <p><u>City of London:</u></p> <ul style="list-style-type: none"> <li>• Asset Programme Manager – Jason Crawford</li> <li>• Project Manager – Michael Sunnucks</li> </ul>   |                    |        |          |       |                |            |                     |                     |                    |                  |  |         |             |            |         |              |  |                   |                |  |  |

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|                                   | <ul style="list-style-type: none"><li>• Clerk of Works – Martin Oscar</li><li><u>Contractors:</u><ul style="list-style-type: none"><li>• Principal Contractor – AD Construction</li><li>• Principal Designer – Playle &amp; Partners</li></ul></li></ul>  |
| <b>6. Programme and key dates</b> | <ul style="list-style-type: none"><li>• Committee Approval – October 2020</li><li>• Exchange of contracts – November 2020</li><li>• Mobilisation – January 2021</li><li>• Estimated Start Date – February / March 2021 (TBC, subject to Covid-19 status)</li><li>• Estimated Completion – August / September 2021 (TBC, subject to Covid 19 status)</li></ul>   |
| <b>7. Risks</b>                   | <p>Please refer to appendix 2:</p> <p>R1. Leaseholders challenging</p> <p>Officers attended a First Tier Leasehold Tribunal hearing in September 2019 in relation to the Application for Dispensation for the intended approach of tendering the works using a Framework approach, as a number of Leaseholders had submitted objections to City of London's proposed tender approach. Although the First Tier Tribunal granted the Application for dispensation, based on their comments at the hearing a decision was subsequently made to undertake an open tender instead, and the statutory section 20 consultations were reissued.</p> <p>Having noted the comments from the First Tier Tribunal hearing, as well as a number of Leaseholder comments made during the post tender statutory consultations at Dron House, as well as at Holloway and two of the South Bank Estates (Pakeman House &amp; Sumner Building) officers highlighted the potential risk of Leaseholder's challenging the service charge apportionments on the grounds of either disrepair or improvements.</p> <p>Options to mitigate the risks were escalated to the Head of Major Works and Assistant Director of Barbican &amp; Property Services, which were subsequently raised at HMA Sub Committee.</p> <p>Having taken the risks under consideration instruction to proceed to tender award was issued July 2020 and officers were advised to notify committee of the potential risks of Leaseholder challenges at Gateway 5, as noted under R1 on the appended risk register.</p> <p>In the case of Dron House Leaseholders make up 46% of the resident population, and should Leaseholders mount a</p> |

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|                              | <p>successful challenge this could equate to a potential loss of approximately £705,000 through service charge recovery.</p> <p>Costed Risk Provision Utilised at Last Gateway: n/a</p> <p>Change in Costed Risk: n/a</p> <p>Further information available in the Risk Register (Appendix 2).</p>   |
| <b>8. Success criteria</b>   | <ol style="list-style-type: none"><li>1. Completion of all required works to meet statutory and City standards.</li><li>2. Achievement of expected lifespan of 30-40 years for new window installations.</li><li>3. Improved safety and security.</li><li>4. Improved SAP ratings and energy performance of thermal efficiency and acoustic performance. As part of the specification the contractors are required to produce updated Energy Performance Certification for all dwellings upon completion of the works.</li><li>5. Establishing a programme for cyclical communal redecorations to preserve the residential buildings of the estate.</li><li>6. Works are managed to minimise disruption to residents and impact on the general public and wider public realm.</li></ol> |
| <b>9. Progress reporting</b> | Internal progress reports will be updated on a monthly basis via Project Vision. Residents will also receive monthly updates via the monthly Estate Newsletters.  |

## Appendices

|                   |                      |
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| <b>Appendix 1</b> | Project Coversheet   |
| <b>Appendix 2</b> | Risk Register        |
| <b>Appendix 3</b> | PT8 Procurement Form |

## Contact

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