

Committees:		Dates:
Housing Management and Almshouses Sub Committee Residents Consultation Committee Barbican Residential Committee Projects Sub Committee		25/04/2016 31/05/2016 13/06/2016 29/06/2016
Subject: Water System Safety Works at Residential Housing Estates	Gateway 3/4 Options Appraisal	Public
Report of: Director of Community & Children's Services		For Decision

Summary

Dashboard

Project Status	Green	
Time Line	Procurement – to December 2016 Gateway 5 / Authority to Commence Works – January 2017 Contractor Appointed – February 2017 Works Start - April 2017	
Programme status	Pending Approval of Gateway 3/4 – Options Appraisal	
Latest estimated cost of works	HRA Housing Estates £500,000	Barbican Estate £800,000
Expenditure to date	£4,000	
Total Project Cost	HRA Housing Estates £562,000	Barbican Estate £900,000

Progress to date (including resources expended and any changes since previous Gateway)

The Gateway 1/2 report outlined a project approach to address the statutory requirement of risk assessments, monitoring & testing and the completion of remedial, minor and major works. An issue report was presented to the Residents Consultation Committee and the Barbican Residential Committee recommending separate procurement for Risk Assessment and Monitoring & testing contracts.

The statutory obligation to carry out monitoring, testing and risk assessments have now been completed, and form the basis of this report which seeks approval of the programme and budget prior to procurement for a contractor to complete these works.

Overview of options

Option 1 – completing works reactively as they are identified. Any items which have been identified as high risk through the recent risk assessment programme must be completed as soon as reasonably practicable, items of a lesser risk may be completed as their risk level increases or items fail over the next 2-5 years.

Option 2 – completing a planned programme of works using the results of the risk assessments to prioritise the works.

Proposed way forward

The proposed way forward is to proceed with Option 2.

Procurement Approach

If the recommended option proceeds, the procurement approach will be to advertise the works as one contract openly on the City’s procurement portal.

Table with financial implications

Description	HRA Housing Estates		Barbican Estate	
	Option 1: Immediate completion of High risk work items & reactive completion of remaining works	Option 2: Planned programme of all works	Option 1: Immediate completion of High risk work items & reactive completion of remaining works	Option 2: Planned programme of all works
Works Costs	£693,500	£500,000	£1,108,057	£800,000
Fees & Staff Costs	£86,687	£62,500	£138,057	£100,000
Total	£780,187	£562,000	£1,246,564	£900,000
Funding Strategy	HRA: £762,187 (30% recovery of £228,656) Almshouses Trust: £12,000 (0% recovery) City Fund – Spitalfields £6,000 (50% recovery of £3,000)	HRA £547,000 (30% recovery of £164,100) Almshouses Trust £10,000 (0% recovery) City Fund – Spitalfields £5,000 (50% recovery of £2,500)	City Fund and 96% proportional recovery (£1,196,701) from long leaseholders	City Fund and 96% proportional recovery (£864,000) from long leaseholders

Items in parentheses are proportional recovery from long leaseholders, as applicable depending upon location of work.

Recommendations

1. Approval to proceed with Option 2.
2. Take note of the estimated budget of £562,000 for HRA Housing Estates and £900,000 for Barbican Estate.
3. Approval of the additional budget now requested to reach Gateway 5 (£25,000 for HRA Housing Estates and £40,000 for Barbican Estate).

Options Appraisal Matrix

See attached.

Appendices

(1) PT4 Procurement report.

Contact

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Options Appraisal Matrix

	<i>Option 1 – reactive work</i>	<i>Option 2 – planned programme</i>
1. Brief description	Completing any high risk items immediately but dealing with medium and low risk items reactively – for example, as they become high risk or as items fail.	Using the results of the risk assessments to tender a 3 to 5 year works programme. This programme will address the works in priority order – addressing high, medium and low risk items.
2. Scope and exclusions	<p>Scope: All water supply systems for which the City is responsible at the Barbican and the Housing Revenue Account (HRA) Estates. This includes communal hot/cold water storage tanks, communal pipework, individual hot/cold storage tanks and pipework in tenanted properties, hot/cold water tanks and pipework in estate offices.</p> <p>Exclusions: Hot/cold water tanks, calorifiers and pipework within properties that are owned by long leaseholders.</p>	
Project Planning		
3. Programme and key dates	<p>Procurement – to December 2016</p> <p>Gateway 5 / Authority to Commence Works – January 2017</p> <p>Contractor Appointed – February 2017</p> <p>Works Start - April 2017</p>	
4. Risk implications	<p>High Risk Approach</p> <p>(1) Ensuring the safety of the systems that provide water is a statutory duty.</p>	<p>Medium Risk Approach</p> <p>(1) Ensuring the safety of the systems that provide water is a statutory duty.</p>

	<i>Option 1 – reactive work</i>	<i>Option 2 – planned programme</i>
	(2) Carrying out works reactively could put systems at risk while works are specified and procured.	(2) We are currently in a position where the risk assessments have identified the risk levels of all items of water equipment in our properties. (3) Instigating a programme which addresses the works in priority order – high, medium and low – will ensure that following a fixed period of time no high or medium risk items will remain in our properties.
5. Benefits and disbenefits	<p>Benefits:</p> <ul style="list-style-type: none"> • Statutory compliance is achieved – as each item of risk is identified and removed. <p>Disbenefits:</p> <ul style="list-style-type: none"> • Higher cost by not procuring a large contract. • Need to procure any item over £10,000, causing delays to works. 	<p>Benefits:</p> <ul style="list-style-type: none"> • Statutory compliance is achieved via a planned programme which addresses high, medium and low risk items in priority order. • Lower cost by procuring a larger contract.
6. Stakeholders and consultees	<p>Members and Ward Members.</p> <p>Residents, including leaseholders via statutory Section 20 consultation.</p> <p>Departments of City Surveyor's, Comptroller and City Solicitor, Town Clerks and Chamberlain's (including City Procurement).</p>	
<i>Resource Implications</i>		

	<i>Option 1 – reactive work</i>	<i>Option 2 – planned programme</i>
7. Total Estimated cost	HRA Housing Estates £562,000	Barbican Estate £900,000
8. Funding strategy	<ul style="list-style-type: none"> • Barbican Estate and Spitalfields properties - City Fund with a respective 96% and 50% proportional recovery from long leaseholders. • Almshouses - Almshouses Trust and there is no proportional recovery from long leaseholders. • HRA - The proportional recovery from long leaseholders across the HRA estates is estimated to be in the overall region of 30%; however this is likely to differ across individual estates and will be reviewed in greater detail at Gateway 5. 	
9. Estimated capital value/return	N/A.	
10. Ongoing revenue implications	There will be a minor decrease in annual costs. This is owing to the fact carrying out major works will reduce the risks in some locations (for example, replacing an ageing water tank with a modern one translates into a lower-risk item) Low risk items are not required to be risk assessed as frequently as higher risk ones.	
11. Investment appraisal	Carrying out works reactively is poor investment practice where works could be specified, prioritised and programmed.	Timely intervention to complete works reduces spend on reactive repairs and maintenance as unexpected failures occur less frequently.
12. Affordability	The works have been factored into the Asset Management plans for both the Barbican and HRA Estates.	
13. Legal implications	Water systems that include tanks or areas that are not regularly flushed with running water pose a risk of harbouring bacteria. There could be legal consequences where failure to monitor and maintain equipment has caused exposure to bacteria and led to illness.	

	<i>Option 1 – reactive work</i>	<i>Option 2 – planned programme</i>
14. Corporate property implications	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.	
15. Traffic implications	The detail of the traffic plan for the installation phase will be agreed with the successful contractor.	
16. Sustainability and energy implications	Should pipework be replaced or re-configured this may improve water flow rates with a marginal reduction in pumping requirements and therefore energy. However, the work may also involve tasks such as adjusting settings on hot water equipment to achieve higher temperatures for safe storage. A consequence may be higher energy usage.	
17. IS implications	N/A.	
18. Equality Impact Assessment	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. Failure to deliver these works would have a higher potential impact upon the elderly and vulnerable as they are at greater risk of Legionellosis (which includes Legionnaires' disease, Pontiac fever and Lochgoilhead fever.)	
19. Recommendation	Not recommended	Recommended
20. Next Gateway	Gateway 5 - Authority to Start Work	Gateway 5 - Authority to Start Work

	<i>Option 1 – reactive work</i>			<i>Option 2 – planned programme</i>		
21. Resource requirements to reach next Gateway			HRA, Almshouses and Spitalfields		Barbican Estate	
	Item	Reason	Cost (£)	Funding Source	Cost (£)	Funding Source
	Staff Costs	Liaise with consultants and city procurement	£7,000	HRA £22,000 (30% recovery of £6,600)	£10,000	City Fund (96% recovery of £38,400).
	Consultancy	Design and specification of works.	£18,000	Almshouses Trust £2,000 (0% recovery)	£30,000	
	Total		£25,000	City Fund – Spitalfields £1,000 (50% recovery of £500)	£40,000	
Items in parentheses are proportional recovery from long leaseholders, as applicable depending upon location of work.						