

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 23 October 2012	<b>Decision Taker:</b> Strategic Director of Finance and Corporate Services
<b>Report title:</b>		Gateway 3: Variation Decision - Coniston & Kevan - Precautionary Fire Proofing Works	
<b>Ward(s) or groups affected:</b>		Camberwell Green Ward	
<b>From:</b>		Strategic Director of Housing & Community Services	

## RECOMMENDATIONS

1. That the Strategic Director of Finance and Corporate Services approve the variation of the Coniston & Kevan Houses – Precautionary Fire Proofing Works contract with Standage & Co. Ltd for the works detailed in paragraphs 19 and 20.
2. That the Strategic Director of Finance and Corporate Services note the additional external fees incurred.
3. That the Strategic Director of Finance and Corporate Services notes that further to paragraph 27 below, there are scheme costs to the term door entry contractor (Silk & Mackman Services Ltd) and the term heating contractor (OCO Ltd) for enabling works.
4. That the Strategic Director of Finance and Corporate Services note the internal fees incurred on the scheme.
5. That the Strategic Director of Finance and Corporate Services notes the specific lessons learnt on this scheme which have been recorded and will be carried forward for future projects, both within the division (Major Works) and corporately – see Appendix 1.

## BACKGROUND INFORMATION

6. The initial cost of the scheme as noted in the Gateway 2 Report dated September 2011 was £1,136,911, representing £1,030,618 for works and £106,293 for fees for a period of 38 weeks, commencing on 30 January 2012.
7. This contract did not allow for a specific extension period.
8. There have been no previous variations.
9. This scheme was designed to bring the external elements for the properties and common parts of the buildings up to the standards required to meet the Fire Risk Assessment carried out by an independent consultant, Turner & Townsend.
10. The properties included in the scheme are 1-82 Kevan House, Wyndham Road, Camberwell, London SE5 0LP and 1-82 Coniston House, Wyndham Road, Camberwell, London SE5 0UF which comprises of 2 tower blocks on the Comber Estate and Wyndham Estate respectively. Each block is 22 storeys tall.
11. The additional works required have not been instructed or commissioned, hence, the contract currently is not in an over-spend position.

12. The overall variation sum request is based on the anticipated Final Account provided by Standage & Co. Ltd, which has also been reviewed by the appointed Contract Administrator from Pellings LLP in terms of the additional items required. These costings are based on a worst case scenario and the final costs will be reviewed by the appointed Quantity Surveyor (QS) from Keegans Ltd prior to any payments being made.
13. The appointment of Keegans Ltd was made on 30 March 2012 as part a price testing exercise following the sudden death of the in-house Senior QS in February 2012. Their appointment was on a fee percentage basis which was accepted at 1.05% of the contract sum.
14. The scheme was designed by an in-house Lead Designer (LD). However following their departure at the end of September 2011, Pellings LLP was appointed to provide the Contract Administration function and this appointment has already been covered in a separate Gateway report. Their appointment was made and agreed on a fee percentage basis which was 3.5% of the contract sum.

## **KEY ISSUES FOR CONSIDERATION**

### **Key Aspects of Proposed Variation**

15. The additional expenditure within this variation report relates to works not originally included within the tendered specification, additional quantities of works that were included in the original specification, unforeseen works mainly in relation to asbestos removal and works associated with asbestos contamination. The contract completion date as a consequence of the additional work will move from October 2012 to January 2013. There are also additional associated scheme costs for enabling works for the asbestos removal. Finally there are additional fees due to an increased works contract value.
16. The contract is currently on site and whilst asbestos removal has been instructed (as there were sufficient contingency and provisional sums to cover these works within the budget), only minimal additional works/ reinstatement works associated with the asbestos removal can be instructed as there is currently insufficient funding to issue instructions for whole block elements.
17. The nature of the proposed variation relates to the scope of works and extension of time claims, plus additional fee charges.

### **Reasons for Variation**

18. The additional costs which have resulted in this variation are as a result of a number of factors. Firstly, it is anticipated that an Extension of Time (EOT) will be claimed for the asbestos removal works that are required to enable the specified fire safety works in the lift lobby/staircase areas to be undertaken. EOTs arise in works contracts where the contractor is allowed to have additional time in the contract above the fixed contract period originally in the contract, for additional works. The anticipated EOT relates to unforeseen works not originally included within the specification as highlighted in paragraphs 19 - 30, with a breakdown of the associated costs in paragraphs 19 and 20. Specifically the 10 weeks potential EOT is to cover the asbestos removal under controlled conditions, where only one floor per day could be undertaken and there were a total of 44 floors.

19. Additional works not included within the specification are summarised in the table below:

Description
(1) Resident welfare unit (asbestos removal requirement)
(2) Replacement of asbestos contaminated lagging to pipework
(3) Liaison with Silk & Mackman Services Ltd re: attendance to disconnect/re-connect door entry system during asbestos removal
(4) BT and electrician attendance to disconnect/re-connect telephone systems during asbestos removal
(5) Liaison with OCO Ltd re: attendance to disconnect/re-connect hot water systems during asbestos removal
(6) Install temporary lighting per floor during asbestos removal
(7) Remove existing asbestos contaminated ductwork panel and frame to risers and supply & fit new – communal areas
(8) Replacement of contaminated ceiling ductwork/boxing - (unable to fix to ceiling due to remaining asbestos)
(9) Replacement of heating cables disturbed/contaminated during the asbestos removal
(10) EOT – 10 weeks anticipated due to unforeseen asbestos removal
(11) Solid top panels to screens (20 floors x 2)
(12) Powermatics – allow 80 no total
(13) Overhaul windows to Coniston
(14) Replace crittal windows to Kevan House (opening sashes)
(15) Electrical surveys (16)
(16) Allowance for C1 and C2 electrical items inside dwellings
(17) Upgrade bonding to each property
(18) Renew earth bonding conductor to 10M

20. Works which were originally specified in the contract but due to increased quantities have resulted in increased cost are summarised in the table below:

Description
(19) Asbestos removal
(20) Colt Louvres – Increased size
(21) Install 3 no additional lights per floor due to residual asbestos on ceiling tiles.

21. There have been some omissions on the scheme in terms of provisional sums. There are still provisional sums available but as the contracted works have only recently commenced, due to the need to undertake the asbestos removal first, it is deemed prudent to keep these sums available and not omit them all at this time. Notwithstanding this, any savings that can be made will be made during the remainder of the contract. This is a clear directive which has been made to the contractor, the Construction Project Manager (CPM) and the QS.

Description
(1) Provisional Sum Omissions

22. The main source of additional costs on this contract is in relation to asbestos removal and the additional costs associated with this particular element of works. See items (1) to (10), plus (19) and (21) in paragraphs 19 and 20 above.

23. As has been standard practice on the traditionally tendered GC/Works contracts, the council's asbestos database information was included at tender stage for this particular contract and provisional sums of £12,000 per blocks were included in the Bills of Quantity (BoQ) based on the information within the database.
24. A Refurbishment & Demolition (R&D) asbestos survey was subsequently commissioned for the blocks and this was issued in December 2011. Due to the legal requirement to now undertake R&D asbestos surveys, rather than the old Type 2 Management Surveys, these generally require the assistance of the contractor to attend and remove and replace panels etc to enable the full survey to be undertaken. With the Partnering Contracts this can now be undertaken at a much earlier, surveying stage, prior to agreement of the full scope of works and costs as the contractor is already in place. This was not generally possible with tendered contracts, such as this one, and therefore surveys were undertaken post appointment.
25. Once the aforementioned R&D asbestos survey was undertaken it identified residue of sprayed asbestos insulation to the ductwork and boxing in around the perimeter of the ceilings of the communal lift lobbies on each floor in the block. It was also identified within the risers located on each floor. In addition to the sprayed asbestos, there is also Asbestos Insulation Board (AIB) present in the risers. Access to both of these areas is required to enable the fire safety works that have been specified in the scheme and therefore it requires the removal of all the asbestos containing materials beforehand. There has been considerable consultation with the Asbestos Co-ordinator who has undertaken a number of visits and inspections with a view to determining whether the scope of works could be reduced, but this has not been possible.
26. The presence of this residue which has contaminated the ductwork and trunking around the ceiling is not something that would have been foreseen at tender stage. The residue is as a result of asbestos removal works undertaken approximately 20 years ago where debris and residue was not completely removed. As asbestos removal works had previously been undertaken it was not anticipated that there would be significant works in this area. This was a very exceptional circumstance and it is highly unlikely to occur again.
27. Due to the unforeseen contamination there are also items such as ductwork and lagging that it had not been anticipated would require replacement under the original specification. The costs for reinstatement are significant as detailed above but these elements are unable to be retained. The option to retain and clean these elements was investigated but was not deemed possible. To enable the asbestos removal, the term heating contractor (OCO Ltd) had to attend on a twice daily basis to disconnect the heating pipes of the floor being worked on at 10pm the night before and then re-attend at 5pm the day of the asbestos removal to reinstate them. The term door entry contractor (Silk & Mackman Services Ltd) also needed to attend on a twice daily basis to disconnect and re-connect door entry systems to enable the removal works.
28. Another significant area of expenditure is for louvres which are required to provide cross flow ventilation. The original specification provided louvres for a smaller area which now has to be increased. A calculation error on the Building Control application submitted by the original LD (which had been approved), indicated that the originally proposed louvres achieved a higher level of ventilation than was actually possible. The reason for this calculation error was

that an assumption was made that the area covered by the new louvres would provide 100% ventilation. The louvres however reduce the airflow by anything up to 50% and this had not been taken into account. On visiting site, Building Control has advised that the maximum ventilation possible needs to be provided and this can only be achieved through additional/increased ventilation/louvres. With the Partnering contracts which are now in place there is an audit process in place for reviewing designs and this should mitigate the risk of similar errors in the future. See Appendix 1 attached.

29. The other significant area of additional expenditure is in relation to electrical works. As per standard procedure, once the contract started on site, Standage & Co. Ltd carried out a sample survey of properties to ensure that the specified lateral replacement works could be undertaken and connected and it was found that urgent works were required to bring them up to a safe standard and allow the connection. With the Partnering contracts this should not be a risk as electrical sample surveys are undertaken at Order 1 stage, prior to the full scope of works and costs being agreed. In this case however, minimal works will need to be undertaken to enable the laterals to be connected. In addition to these electrical works, additional light fittings are required due to the fact that asbestos residue will remain in some areas of the lift lobby following these fire safety works and this limits the areas where lighting can be a-fixed. To ensure that proper levels of light are achieved additional fittings are required.
30. The asbestos removal works have been ongoing on site as the costs were able to be covered from the contingency and provisional sums contained in the contract and any reinstatement works have been instructed on a weekly basis to ensure that no instructions are given which bring us over the approved sum. The asbestos removal works are not new works and form part of the original scope of works, however, due to the vast extent of asbestos removal required, instructions have been restricted in order that the contract sum is not exceeded.

#### **Future Proposals for this Service**

31. Not applicable.

#### **Alternative Options Considered**

32. When the issue of the asbestos contamination was first raised, consideration was given to passing this work on to another contractor but due to the delay that this would cause on the contract, the works would require tendering, it was decided to instruct Standage & Co. Ltd to carry out this particular element of works. The decision to absorb the asbestos removal works within this contract was primarily due to prolongation costs incurred if the asbestos removal works were tendered separately. It would be uneconomical to incur prolongation costs whilst tendering the asbestos works, however, preliminaries costs would be incurred to account for the additional time on site to facilitate the additional works.
33. As Kevan House is in the 2012/13 Investment Programme for works under the Partnering Contract, discussions were held with the H&S (Fire Safety) Team on whether the lateral upgrade works to the block could be omitted and then carried out under the Warm, Dry and Safe (WDS) partnering package of works which are to follow on as soon as the fire safety works are complete. Whilst the H&S (Fire Safety) team felt that it may be possible to agree to this, although it was certainly not ideal, advice from the electrical engineer working on the scheme was that

this could not be recommended. The advice was that the rising mains cabling was VIR cabling and therefore needed to be replaced urgently and the dwelling fuse boards are old and have fuses which EDF refuse to withdraw and therefore if a resident had a problem or needed an energy meter changed, EDF would refuse to do so.

34. Kevan House has WDS works programmed for 2012/13. These works include window renewals. As such advice was sought from the H&S (Fire Safety) Team as to whether the critical window casement renewals to Kevan House could be incorporated into the WDS works. This was however not deemed to be an option as ventilation to the staircase is a key component of fire safety works.

#### **Identified risks for the extension**

35. Not applicable. The variation is to the scope of works not an extension of the contract. The risks have been factored into the scope of works such as the increase in the asbestos removal works, where a risk assessment and method statement are already in place for the removal. The increase in the ventilation works is required to aid and increase the dispersal of smoke in the event of a fire to prevent smoke inhalation and potential fatality.

#### **Policy implications**

36. The asbestos policy and regulations have been adhered to by the involvement of Southwark's Asbestos Co-ordinator who has provided guidance and direction as highlighted in paragraph 25.

#### **Contract management and monitoring**

37. Further to paragraphs 13 and 14 above, initially the scheme was to be managed by an in-house LD and an in-house Senior QS. Following the scheme approval, the CPM service was out-sourced to Pellings LLP. This was as a consequence of the departmental re-organisation which saw a reduction in the number of LD posts. Pellings LLP were subsequently appointed and their appointment was the subject of a separate Gateway report. Following the sudden death of the in-house Senior QS in February 2012 it was then necessary to carry out a quotation exercise for QS services on this scheme. As a consequence Keegans Ltd were appointed and this again was the subject of a separate Gateway report.
38. Monthly progress review meetings are continually held with the contractor and Client Project Manager and ad hoc meetings have been held to review the options available and review current and ongoing risks to the contracts. The Contract Risk Register now forms part of the monthly project meetings with a view to mitigating any further risks to the contract in terms of cost, quality and time. The contractor is performing satisfactorily as borne out by the monthly progress meetings and there are no reservations about their ability to progress the work involved in this variation. The additional works have been scheduled and verified by the QS and represents value for money with the works undertaken by the existing contractor, as opposed to incurring prolongation costs, if the works were tendered and carried out separately by a third party contractor.

## **Community Impact Statement**

39. The works under this contract are to Coniston House and Kevan House which fall within the Camberwell Green Ward of the Borough. The impact of the works on residents is moderate, as they need to be out of their property between 8am and 5pm on the one day when asbestos removal is undertaken to their property.
40. The resident population of the Camberwell Green Ward as measured in the 2001 census was 12,798 of which 49% were male and 51% were female. The main ethnic group in the area is predominately white at 50%.
41. These works have been judged to have little or no impact on local people and community.
42. The works proposed will assist in the restriction of fire spreading from communal areas to dwellings and the same in reverse, by the installation of fire breaks and seals.
43. Works to upgrade and renew flat entrance doors, communal screens, carry out fire proofing between floor levels, together with smoke detection installations will reduce the risk to residents in the event of fire.

## **Economic considerations**

44. None.

## **Social considerations**

45. The council requires the London Living Wage (LLW) to be included for new contracts where best value can be demonstrated. LLW would apply to all relevant staff working directly on the contracts and to any relevant staff employed by any sub-contractor. This is a variation of an existing contract which does not include the LLW requirement; however, the contractor has confirmed that staff and sub-contractors are paid the LLW as a minimum on this scheme.

## **Environmental considerations**

46. The works being undertaken are for specific fire risk items. Specifications must be produced based upon the specific performance of materials in case of a fire and there has been no scope to introduce sustainability elements into the contract.

## **Financial Implications**

47. The Capital Cost code for this scheme is H-1360-9096.
48. Further to paragraph 37 above, Pellings LLP are appointed as the CPM for the scheme and Keegans Ltd are appointed as the QS. This has resulted in increased external fees and reduced internal fees.

## **Investment Implications (inv/ii2608/27June2012/sc)**

49. The cost of the additional works will be met from the allocation for strategic safety works within the housing investment programme. While spend to date and existing commitments exceed the original agreed budget for this purpose, the

overall programme of works arising from fire risk assessments will be subject to review and a further report seeking the allocation of additional resources if required.

50. Resources for the overall 2012/13 housing investment programme are estimated at £166m of which £58.4m (35%) is currently committed. There are therefore sufficient uncommitted resources available to meet the increased level of expenditure.

### **Legal Implications**

51. These are contained in the comments from the Director of Legal Services.

### **Consultation**

52. All affected residents and the Wyndham & Comber Tenants & Residents Association were written to during the design stage of the scheme advising them of the scope of the proposed works.
53. A consultation event was held on 7 December 2010 for all residents. A specific Leaseholder meeting was held on 19 July 2011 and finally a pre-start public meeting for all residents was held on 10 January 2012.
54. Additional work notices were issued to leaseholders on 22 May 2012 and expired on the 22 June 2012. These Notices were for the additional costs associated with the asbestos removal as well as the additional works.

### **Other implications or issues**

55. None.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

56. This report is seeking a variation to the Coniston and Kevan Houses precautionary fire proofing works contract. The nature of the variation relates to the scope of works and extension of time claims.
57. Paragraph 18 of the report outlines the factors that have resulted in the need for this variation, which is mainly in relation to asbestos removal and the additional costs associated with this particular element of works. A description of the additional works and explanation of the increased quantities to the original specification are provided in detail at paragraphs 19 and 20 of the report.
58. Paragraph 25 of the report advises that the need for asbestos removal was identified from a refurbishment and demolition asbestos survey that was carried out post tender which is clearly not ideal. Paragraph 24 advises that these surveys will now be carried out at a much earlier surveying stage which hopefully will prevent the extent of this type of variation happening in future similar contracts.
59. Paragraph 38 of the report confirms that the contractor has been performing satisfactorily and there are no reservations about their ability to progress the work outlined in this variation. The report also confirms that officers are of the



view that the additional works represents value for money. There would appear to be no reason why the Council would not wish to continue with this contractor to carry out the additional works.

#### **Director of Legal Services**

60. The Director of Legal Services notes the contents of this report which seeks the approval of the Strategic Director of Finance and Corporate Services to a variation of the Coniston & Kevan Houses – Precautionary Fire Proofing Works contract which is being performed by Standage & Co. Ltd. This report sets out the extent of the required variation and the reasons why the variation is necessary.
61. CSO 4.6.2 a) provides that this decision is reserved to the Strategic Director of Finance and Corporate Services to authorise this proposed contract variation, after consideration by the Corporate Contracts Review Board (CCRB) of the report. The report has been considered by CCRB and its comments have been included.
62. CSO 2.3 provides that a variation decision may only be made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the council. Paragraphs 49 and 50 of this report confirm how the proposed additional expenditure will be funded.

#### **Strategic Director of Finance and Corporate Services (NR/FCS/18/9/12)**

63. This report recommends that the Strategic Director of Finance and Corporate Services approves the variation of the Coniston & Kevan Houses – Precautionary Fire Proofing Works contract with Standage & Co. Ltd, notes various matters associated with additional fees and notes the specific lessons learnt on this scheme which have been recorded and will be carried forward for future projects.
64. The Strategic Director also notes the financial and investment implications contained within the report. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

#### **Head of Home Ownership and Tenant Management Initiatives**

65. These are works of repair and are therefore rechargeable to leaseholders under the terms of their leases.
66. There are 13 leaseholders that will be affected by the works. In accordance with the Landlord and Tenant Act 1985 (as amended) section 20 notices outlining the additional works were served on the 21 May 2012 and expired on the 22 June 2011. There was 1 observation received from leaseholders included in this package and this was responded to in writing. The observation was not of a nature that would impact on the award of the contract.
67. The estimated cost per leaseholder for the additional works is between £4,417.69 and £5,301.23. It is anticipated these additional costs will be invoiced in March 2013 at which time it has been agreed that the full array of payment options will be available to leaseholders due to the magnitude of the increase.

**FOR DELEGATED APPROVAL**

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation contained in the above report.

Signature  .....

Date 24.10.2012

Designation **Strategic Director of Finance and Corporate Services**

## BACKGROUND PAPERS

Background Papers	Held At	Contact
Contract Files	160 Tooley Street, London SE1	Sharon Shadbolt 0207 525 7064

## APPENDICES

No	Title
Appendix 1	Lessons Learnt

## AUDIT TRAIL

<b>Lead Officer</b>	David Markham, Head of Major Works	
<b>Report Author</b>	Sharon Shadbolt, Project Manager	
<b>Version</b>	Final	
<b>Dated</b>	10 October 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance & Corporate Services	Yes	Yes
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		24 October 2012

## Appendix 1

### Lessons Learned

- **Asbestos removal and associated works:-**

With the Partnering Contracts now in place the Partners assist in ensuring that Refurbishment & Demolition asbestos surveys are undertaken prior to the agreement of the Agreed Maximum Price for a package of works. Where there has been a history of asbestos in a block, a provisional sum for additional removal and associated works is now also included within the AMP.
- **Cross-flow ventilation (Colt Louvres):-**

The re-structuring of the Major Works Division last year as well as changes in design responsibilities for Major Work's schemes, now means that processes are in place to mitigate the risk of errors in designs and specifications. Design responsibility for schemes has now been passed to the Partnering Contractors and this allows an audit to be undertaken of the designs, by the appointed Lead Designer (internal and/or external) prior to agreement of the AMP.
- **Replace critical windows to Kevan House (opening sashes):-**

The pre-commencement procedure and process that is now undertaken by the Partnering Contractors should mean that there are now checks in place to demonstrate that each individual block has been fully surveyed and that assumptions are not made that all blocks will be of exactly the same construction even if they are part of the same estate and appear identical. The audit undertaken by the Lead Designer on the feasibility reports and draft AMPs produced by the partnering contractors should also mitigate this risk on future schemes.
- **Emergency electrical works to dwellings:-**

Condition surveys of the electrical installations to dwellings, where landlord installation works are to be undertaken, are now carried out as part of the pre-commencement surveys under the Partnering contracts. This ensures that there is sufficient budgetary provision included within the AMP for any emergency works required if internal electrical works are not generally included in the scheme.
- **Contingency Sums/Risk Register:-**

Since the original Gateway 2 report was approved for this particular scheme there have been a number of lessons learnt from other contracts that have been incorporated into reports and AMPs. In particular we now include a Client Contingency within Gateway 2 and other approval reports (which the contractors are not aware of). Depending on the nature, size and complexity of the scheme this is usually set between 3 and 10% of the tender sum/AMP and is only expended following agreement by the Investment Manager. On the partnering contracts there is also a costed risk register (provisional sums) included within the AMP. Depending on the size and complexity of the scheme, this again can be anything up to 10% of the agreed AMP and are for works where there are known risks and are designated for specific elements of works e.g. concrete repairs and asbestos removal which is usually impossible to fully quantify before starting on site.