

Item No.	Classification: Open	Date: 2 February 2021	Meeting Name: Strategic Director of Housing Modernisation
Report title:	Gateway 3 Contract variation Adams Gardens QHIP Major Works Housing & Asset Management		
Ward(s) or groups affected:	Cathedral Ward		
From:	Director of Asset Management		

RECOMMENDATION(S)

1. That the Strategic Director of Housing and Modernisation formalises his prior approval to the additional spend for Adams Gardens QHIP 2018/19 call-off contract with A&E Elkins Ltd

BACKGROUND INFORMATION

2. The package of works detailed in paragraph 5 below was to the following blocks

Bloc	Block	Address
44	-145	Adams Gardens SE16(4JG,4JQ &4JH) 101 properties

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

3. The original scope of works after full surveys was:

Scaffolding; M&E Works; FRA Work; Asphalt Repairs; External Redecorations; Roof cleaning and repairs; Gutter cleaning and repairs; RWP repairs and redecorations; Metalwork repairs and redecorations; Fascia and Soffit cleaning and repairs; Window overhauls (minor replacements); Kitchens & Bathrooms (small percentage); Front Entrance Door upgrades (small percentage); External Walls brickwork repairs (small percentage); and Concrete repairs and redecorations (small percentage)
4. The contract sum has been exceeded and the contingency fund was used. A 23-week extension of time claim in respect of loss and expenses up to the revised contract end date i.e. 24 April 2020 was agreed.

Reasons for Variation

5. The additional costs which have resulted in this variation are as a result of a number of factors. There were a number of issues that led to the delay to the project, such as an inaccurate feasibility report and tender documentation which led to extra works needed. There were insufficient quantities in the bill for works when the contract was tendered. Increased quantities of works were identified once works commenced and scaffold was erected. There were unforeseeable items such as additional concrete repairs to external areas of the blocks and structural repairs identified to the staircases. Additional FRA works were added into the contract after a site inspection was carried out with the FRA Team on 23

September 2019 to ensure compliance with recent building regulation changes. The main items are described in the following paragraphs.

6. In summary main increases were: Windows; Roof works; Scaffolding; Concrete works; Extension of time; and External decorations increased as a result of FRA works requiring additional boxing in of pipe works, with fire rated material which needs to be appropriately decorated
7. The reason for the over expenditure is as a direct result of under-scoping of the works at feasibility stage and Calfordseaden LLP consultants not allowing sufficient quantities in the bill when the contract was tendered. A&E Elkins Ltd found they could not work with the incorrect allowances in the bill on quantities (BoQ) which led to further surveys being carried out on site and re-measurement for the concrete repairs and structural repairs.
8. A chronological list of events that led to the increased quantities and delay to the works is summarised below.
9. Following A&E Elkins Ltd's email on 8 August 2019 that there were insufficient quantities in the contract for the concrete repairs, and the submission of an Early Warning Notice 001, dated Friday 13 September 2019 by A&E Elkins Ltd, an Extension of Time for a period of 10 weeks was requested along with the Architect/CA instructions with regards to:
 - a. External concrete & structural repairs - quantities included in the BoQ were deemed to be insufficient. Subsequently A&E Elkins Ltd reviewed and issued fully comprehensive block repair schedules to Calfordseaden LLP and also requested for Calfordseaden LLP to arrange a structural engineer to review, as the re-measure of the approximate quantities was necessary. Calfordseaden LLP commissioned their structural engineer in September 2019.
 - b. Unforeseen structural repairs - the discovery of considerable out of scope repairs not included in the contract have resulted in considerable delays, as there was no clear design requirement defined at that point in time. This led to investigations in the structural cracking to the staircases to the blocks and the corners of the flank walls. The identification of the extent of concrete repairs and the re-measure of the additional concrete repairs identified to the blocks were in excess of the anticipated amount included at feasibility stage, which had only allowed for the walkway band course repairs.
 - c. Rising water mains & asbestos – there was also the discovery of asbestos in the roof space and corroded pipe work which affected internal kitchen and bathroom replacement works.
 - d. External boxing instructed - the need to overclad the timber ductworks to the external walkways and risers following the council's FRA team's directive to remove combustible cladding on all blocks and re-instate post concrete repair with Fire-rated materials resulted in some delays in obtaining design clarification pertaining to the revised method and specification for construction activity.
 - e. Underground structures - the discovery of underground (air raid shelters) structures and the need for them to be investigated to determine if there

were any areas of concern, and/or movement that could impact the structural works to the blocks. The investigatory & exploratory works carried out by the council in September 2019 eventually revealed that the air raid shelters posed no issue for the works.

- f. Scaffolding increased cost - the additional instructed external works required the access scaffolding to be erected for a much longer period than originally required - the original contract period was 16 weeks; close to 36 weeks. This extended period attracted additional hire charge which was applicable to all blocks and was the major cost associated with the additional claim. Further additional costs arose from an increase in area of scaffold measured against the approximate quantities included the specification, the change to flameproof netting, not included in the specification and additional scaffold inspections associated with the longer hire period. The additional costs are summarised below:

- Additional hire costs
- Increase generated by the re-measure
- Flameproof netting is to all scaffolding
- Additional scaffold inspections

Future Proposals for this Service

10. The contingency allowed for on this scheme was not sufficient and a higher contingency fund should be considered for future projects of this nature particularly given that FRA works are being included.

Alternative Options Considered

11. No alternative options were considered as A&E Elkins Ltd were already on site and carrying out the works when the additional fire works and increased quantities of works were discovered the decision was taken to vary the contract to include the additional fire safety works and enable satisfactory completion of the scheme.
12. Other additional elements of works such the structural staircase works and rising mains replacement works were removed from this contract and will be dealt with under a different contract. The decision making process involved in this also added time, which resulted in the process of trying to minimise the costs by looking at alternatives. An internal meeting was held on 21 November 2019 with Major Works and the Repairs Team and a decision was been made to omit the structural elements to the staircases and the replacement of the rising mains pipe work from the contract. It was agreed that due to the severity and volume of these works and the increased cost to the contract, they would need to be omitted from the contract and procured under a separate contract to address the additional works.

Identified risks for the Variation

13. As a result of the recent restrictions applied under the Business Continuity Plan and directive from London Borough of Southwark, with regards to COVID-19, an actual 8 months delay has effected the completion date of this project which was due to complete on 19th November 2019. This has also led to delays in investigations/reviews/revised documents and seeking approval for this report.

Policy implications

14. This work was scoped under the Southwark Decent Homes standards, which also meet the Quality Homes Investment Programme (QHIP).

Contract management and monitoring

15. The contract was monitored and managed by Calfordseaden LLP who provided full consultancy services for the Adams Garden works. In addition to Calfordseaden LLP, there was a contract manager and project manager from the council's major works team allocated to this project. Monthly contractor progress meeting have been held by council officers to monitor progress on site and contractor performance. As well has holding monthly design team meetings with the consultants to discuss their management of the programme.
16. On 11 December 2019, a default notice was issued to Calfordseaden LLP. A response from Calfordseaden LLP was provided on the 24 January 2020. The response set out their new processes and procedures. They have introduced monthly internal project and senior strategic meetings, at which learning points and relevant issues are shared across the team to enable continuous improvement. They have added to their tender document checking procedures as well as carrying out spot checks of the physical measurements on site. To avoid ambiguity in relation to Ferrogard, Sika Margel systems and electrical condition reports, Calfordseaden LLP have taken the necessary steps to adopt clear instructions and to roll this out across their standard template documents, to ensure this is not repeated in future projects. This will now form the checking system that will be followed when Calfordseaden LLP carry out and prepare tender documents.

Community Impact Statement

17. The works under this call-off contract were to 44 -145 Adams Gardens SE16. The blocks fell within the Cathedral ward of the borough. The impact of the works to the tenants were medium and did not involve them being rehoused during the works. The resident population of the Cathedral ward as measured in demographics and latest population estimates show the 2001 census was 13,115. The main ethnic group in the area was predominantly white at 65.7%. The works affected all properties of which 73 are tenanted and 31 are leaseholders. The works were drawn up to rectify defective components to the council's housing stock to bring the block to decent homes standard, and in turn improve the quality of life for the tenants. As well as complying with the decent homes standards, the works were drawn up to address repair needs raised by tenants, i.e. draughty windows which suffer from condensation.

Social Value considerations

18. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

19. The refurbishment works to Adams Garden Estate for which this variation is sought was completed on 9 July 2020. A&E Elkins Ltd have used a local company in their sub-contracting and for purchasing, and have continued to meet the council's London Living Wage (LLW) requirements for payment of LLW to relevant staff and this is monitored as part of the framework review.

Social considerations

20. The works under this call-off contract were to 44 -145 Adams Gardens SE16. A&E Elkins Ltd have recruited an apprentice working through one of there sub contractor Electrical companies.

Environmental/Sustainability considerations

21. The council's commitment to energy and sustainability considerations is demonstrated in this call-off contract by following the renewal and installation of new, humidity controlled extractor fans to kitchens and bathrooms and LD2 smoke alarms

Investment Implications (Housing Contracts only)

22. Calfordseaden LLP is employed as cost consultants for Adams Garden Estate.

Legal Implications

23. There is no anticipated further increase in fees following the variation on this scheme.

Consultation

24. Consultation meetings were held with residents on 19 June 2018 and 29 October 2018 to discuss the scope of works. A leaseholders meeting was held on 19 March 2019 to discuss their contributions. In addition a meet the contractor drop in for all residents was held on 10 July 2019. .
25. A resident project team has been established to discuss the works and meet on a monthly basis until the scheme has been completed. Monthly newsletters were also issued to keep residents updated on progress and any changes to the scheme.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M20/053)

26. The report seeks formalisation of approval from the Strategic Director of Housing and Modernisation for the works variation on the Adams Gardens QHIP 2018/19 call-off contract with A&E Elkins Ltd .
27. There is an estimated resource shortfall for the Housing Investment Programme over the life of the programme. There is also likely to be further demand on the capital programme as a consequence of local or national demands for resources

following the tragic Grenfell fire and the programme may be disrupted by the ongoing COVID 19 pandemic. It is, therefore, important that the cost of these works is carefully monitored and that accurate forecasting is in place.

28. Any further variations or extensions of the works order beyond the scope of this report will require further approval in line with the council's procurement protocols.

Head of Procurement

29. This report is seeking formalisation of approval for a variation of the refurbishment contract at Adams Garden Estate.
30. The report explains the various factors that led to the under estimation of the final contract sum highlighting some issues that existed with the approach to management on this and potentially other scheme. The report explains the reasons for the additional expenditure. The additional works could not be identified until works began on site and informal approval had to be expended to safeguard the health and safety of the residents and enable satisfactory completion of the scheme.
31. Paragraph 15 confirms that a workshop has been held to review the course of events and the circumstances that surrounded this scheme and lessons learnt have been identified.
32. Changes have already been implemented in the area of major works with restructuring and new business processes now in place

Director of Law and Governance

33. At this value, a legal concurrent is not required.

Director of Exchequer (for housing contracts only)

34. Leaseholder service charges will be affected by the variations contained within this report. The significant areas of increase are concrete repairs, decorations and scaffolding which are all service chargeable areas of work. The reasonableness of these charges will be scrutinised as part of finalising the service charges at which point it will need to be considered whether the increase in the scaffold cost is reasonably incurred and can be charged to leaseholders or whether aspects are unreasonably incurred due to the under specification of works.
35. There are 31 leasehold properties that will be affected by the variations. Although they are not variations that would require an additional works consultation the capital works service charge team will be writing to leaseholders to inform them of the likely increase in their service charge at final account and outlining the details of this increase.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report (and as otherwise recorded in Part B below).


Signature Date.....
Michael Scorer, Strategic Director of Housing and Modernisation

10 February 2021

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see 'FOR DELEGATED DECISIONS' section of the guidance).

1. DECISION(S)
As set out in the recommendations of the report.
2. REASONS FOR DECISION
As set out in the report.
3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION
n/a
4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION *
None
5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>
n/a
6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

~~I declare that I was informed of the conflicts of interests set out in Part B4.*~~

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact
Adams Gardens QHIP 2018/19 works	Major Works / 160 Tooley Street, SE1 2QH unit Address	Name Jo Taylor Phone number 0207 525 3614

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	Dave Hodgson, Director of Asset Management
Report Author	Jo Taylor, Contract Manager
Version	Final
Dated	2 February 2021
Key Decision?	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Governance	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	n/a	n/a
Date final report sent to Constitutional Team	10 February 2021	