

Item No.	Classification: Open	Date:	Meeting Name: Housing Scrutiny Sub Committee
Report title:		Project Management of Draper House Works prior to suspension of contract with Breyer	
Ward(s) or groups affected:		All	
From:		David Markham Head of Major Works	

INTRODUCTION

This report sets out the arrangements for the project management of Draper House major works prior to the recent suspension of the Breyer contract.

BACKGROUND

1. Situated at the Elephant and Castle Draper House is a 24 storey block consisting of 140 homes and 3 commercial retail units. The property built in approximately 1965 was transferred to London Borough of Southwark following the demise of the GLC in 1986
2. Over the years, residents of the block have been promised major works, but a series of delays has meant that Draper House has not had any major works carried out for several years. Draper House was identified for works through the previous Decent Homes programme which was the forerunner to the current Warm Dry Safe programme. The project was one of the first schemes to be commissioned using the new partnering arrangements, which were set up in 2010 to deliver decent homes through a framework of 5 partnering contractors. The latest most significant delay in starting major works was caused by the development of the Strata Building on the adjoining site to Draper House.
3. Contract commencement by Breyer PLC the partnering contractor for Contract Area 1 was eventually made on the 4th July 2011 when temporary site accommodation and welfare facilities were established. The works programme included; concrete cleaning and repairs, new asphalt roofs, Fire Risk Assessment works, Asbestos removal, kitchen and window installation, new front entrance doors, upgrade of electrics, refurbishment of the main entrance to Draper House, decoration to the external of the building, timber repairs and glass replacement and internal decoration to communal areas. The Agreed Maximum Price of £5,186,769 covered the cost of the full programme of works.

PROJECT MANAGEMENT

4. Pre contract works had been managed by a Project Management Team, all of whom would leave the council in September 2011 following a restructure of the newly formed, as was, housing services department. In part, this restructure was put in place to improve the focus on major works and the quality of contract management arrangements by splitting out the responsibility of major works from the day to day repairs and maintenance

service. Previously, both were the responsibility of one single head of service.

5. The new structure established project teams responsible for specific contract areas and one individual partnering contractor. The team led by a Project Manager includes a Contract Manager, Customer Relationship Officer, Lead Designer and Clerk of Works. Key to this approach is joint responsibility within the team for all the projects across their geographic area. No one team member works in isolation and every team member is involved in the full range of projects within their team.
6. Although the current project management team had shadowed the pre-contract works team the current project management team did not formally take responsibility for the project until completion of the housing department restructure on the 1st September 2011.
7. On handover the current Project Team identified a number of issues that had not been properly addressed at pre-contract works stage. Before any meaningful start on site could be made these matters had to be resolved. They included:
 - A full appraisal of the legal ownership issues around Draper House and in Draper House itself.
 - Negotiation of a licence agreement with the owners of the Strata building on land previously owned by the council.
 - Complete redesign of the scaffolding to accommodate the flying freeholds on the ground floor commercial units.
8. These very basic errors meant that it was virtually impossible to fully commence a proper start on site until these issues had been resolved. Residents were naturally frustrated that the council had not considered these matters as due diligence during the pre-contract period. Furthermore, there had been a lack of communication with residents about the reasons for delay and the complexity of the negotiations required to enable the major works to start on site. Although the newly appointed head of major works quickly prioritised information and regular communication with residents to advise them of the reasons for delay and the efforts the council was making to progress negotiations, at this early stage of the major works contract, there was a lack of trust and confidence in the council which started to negatively impact on the future relationship between the council, the council's contractor Breyer and the residents.
9. During this stand down period, and at the start of the major works, the project team identified potential issues regarding Breyer's delivery of the programme and compliance with the spirit of the partnering agreement.
10. Three meetings took place with senior management where the Managing Director of Breyer was asked to justify elements around the delivery of the 5 year programme. Concerns included:
 - Their ability to properly resource the schemes on site
 - The adequacies of the management on site.
 - Issues raised by sub contractors about delays receiving payment for work carried out beyond acceptable timescales.

- The quality of their programme management and sequencing of works.
 - Their whole approach to working in partnership and providing solutions to difficult problems encountered on schemes.
14. Concerns were also raised by the project team at site meetings and a number of these were detailed as:
- Lack of co-operation in moving forward design solutions for the erection of the scaffolding.
 - Proper programming.
 - Production of contractors proposals and programmes
 - Intransigence around taking instructions or looking for alternative solutions - this was especially relevant around the issue of netting that surrounded the scaffolding.
 - No commitment to supply chain management
 - Situations where there would be a variety of sub contractors used on schemes and even between tasks. Officers felt this was the result of the company's policy of paying suppliers late and reducing payments to sub contractors.
15. At the same time there was an understandable groundswell of concern and discontent from residents. The day to day delivery of works and dissatisfaction with the quality and performance of the contractor had compounded an already difficult relationship. Complaints from leaseholders in particular, who face very large bills for the costs of the major works, were becoming a regular occurrence together with correspondence from ward councillors to the director of housing and community services expressing concerns about the management of the project, and the poor experience of residents. This came to a head in October 2012.
16. The director of housing and communities immediately asked the Housing Investment Manager to take personal responsibility for improving the performance of the contractor, improving the quality and timeliness of information to residents, to oversee the delivery of the project until completion and to support the project management team. As well as making links with some of the more vocal residents in the block, the Housing Investment Manager attended all of the Resident Project Team meetings. This intervention immediately started to make a difference in providing direction to the works, improving communications with residents and re-focusing the project team.
17. We can never be sure that the action taken would have achieved successful delivery of the scheme because at the end of November 2012, a serious health and safety incident occurred. As a result, there was a material breach of contract on site which led to the council suspending works at Draper House. Following negotiation, the council and Breyer have agreed to a mutual conclusion of the whole 5 year partnering contract. Such is the nature of contract negotiations, it has taken some time to reach a conclusion on this matter, not helped by the construction industry's 2 week closedown over the Christmas period. The confidential and commercial nature of the contract discussions has meant that the council has not been able to be open with residents, councillors and other interested parties about the progress of these discussions and understandably residents have felt that they have not been

kept informed. A fragile rebuilding of a relationship between officers and residents has again been tested by this recent train of events, however officers have sought to keep communication channels open by holding frequent meetings and writing to residents with a regular update. At the time of writing, residents have been advised of the mutual conclusion and their opinions are being sought regarding how to progress the remainder of the scheme.

LESSONS LEARNT

18. Notwithstanding the fact that this was a problematic scheme with difficult and complex technical and legal issues, there are important lessons to learn. Site management lost its way resulting in legitimate and justified criticisms from residents about the management of the scheme prior to the incident which led to the mutual conclusion of the Breyer contract.
19. These include:
 - Project team members and lead designers understanding their respective roles in managing the partnering contract.
 - Understanding of the partnering relationship in the context of a strong contract management regime. Default notices were not actively served immediately when poor performance issues came to light.
 - Listening to residents. A small number of residents made persistent and frequent complaints, often several times a day and to different audiences. The use of issue logging to take on residents' feedback would have funnelled these complaints to the correct recipient and would have enabled more efficient use of officers' time. A regular review of the issues log may have helped to close down issues more effectively and would have helped to prioritise the urgency of complaints as well as identifying trends.
 - Ensuring all pre-site commencement issues are resolved and in place before issuing contracts
 - Monitoring the delivery and quality of workmanship as work progresses, and involving residents more actively in this process.
 - Properly authorising all sub contracting arrangements and raising early concerns where these appeared to be unfair.
20. Moving forward, we wait to hear from residents how they wish to proceed with the completion of the major works contractor, either through the use of a back-up contractor (similar to the arrangement on the Four Squares when the contract with Wates came to an end) or through retendering the package of works. Whatever the outcome of the consultation with residents, the nature of the works and the legacy of mistrust mean that we will continue to provide senior management support to this programme of works. We will also be providing a dedicated Project Manager and Clerk of Works to see the project through to a successful resolution.
21. There have been great strides made in the quality of major works delivery in Southwark, exemplified by the experience on recent schemes such as Sceaux Gardens, Four Squares, and Crystal Court. There have also been recent examples where contracts have started poorly but have been swiftly turned around by the major works team working closely with residents and the contractor.

CONCLUSION

22. We recognise the failings that have occurred on Draper House and hope that following the mutual conclusion of the Breyer partnering contract we can move forward and work with residents to bring the scheme to a successful conclusion.
23. The lessons learnt and feedback from residents will enable us to build on these events and make further improvement to our processes and to ensure the skills and culture exist across the team to manage and delivered all projects to a consistent high standard across the programme.