

Report for: Cabinet 16 March 2021

Title: Additional contract costs for the Homes for Haringey major works year 2 project.

Report authorised by: David Joyce, Director of Housing, Regeneration and Planning

Lead Officer: Lee Whitby, Head of Capital Works, Homes for Haringey

Ward(s) affected: Alexandra, Bounds Green, Fortis Green, Noel Park, Woodside, Highgate, Hornsey, Stroud Green, Crouch End, Muswell Hill, West green, Harringay, Seven Sisters, St Anns, Tottenham Green, White Hart Lane, Woodside, Bruce Grove, Northumberland Park, Tottenham Hale

**Report for Key/
Non Key Decision:** Key decision

1 Describe the issue under consideration.

- 1.1 This report requests authorisation to proceed with additional works and variations under an existing building contract approved by Cabinet in October 2019.
- 1.2 Following remobilisation due to the Covid-19 shutdown, new surveys were commissioned to ensure that the works being delivered aligned with the current asset and energy strategies. This led to additional works being identified that will ensure 1393 homes meet the Decent Homes Standard.
- 1.3 In conjunction with this, to reduce the impact on residents and to deliver works in this most efficient and cost effect way, it was decided to amend the contract to include all relevant works identified in fire risk assessments.
- 1.4 This includes the full value of a claim which has been made by the two contractors for delays and additional expenditure resulting from Covid-19. This claim is being assessed and the full amount is unlikely to be agreed.
- 1.5 The additional works highlighted requires Cabinet authorisation. This is for an additional contract spend of £5,327,143 including fees to enable the improvement works to be carried out.

2 Cabinet Member introduction

- 2.1 The year 2 external project was authorised in October 2019. This incorporated an award of contract being issued to two contractors to deliver works valued at £17,853,402.
- 2.2 Further detailed surveys were commissioned after the initial contract award to meet additional requirements such as energy, safety and asset management criteria. The total highlighted for these works is £5,327,143.

- 2.3 The approval of these additional works and variations will allow Homes for Haringey to progress with the major works year 2 project. This will enable external works such as the renewal of roofs, windows, doors, external brickwork repairs and improvements to communal areas and redecorations to proceed. This will improve the decency standard within our residents' homes.
- 2.4 The overall project will contribute to achieving the Borough Plan objectives for housing, which incorporates an objective to improve the quality of Haringey's Council housing. The additional works are required to meet priorities such as bringing all the Council's housing stock up to the Decent Homes Standard by March 2025 and targets related to energy efficiency and carbon reduction.
- 2.5 This project pre-dates the Lowenberg Review, an independent report, which was commissioned by Homes for Haringey in December 2019 to improve the delivery of planned works. The upfront scoping of projects in advance of contract award is an area which was identified for improvement to reduce significant contract variations after award. The action plan resulting from this report is being monitored by Homes for Haringey's Board. Following historic delivery issues, reviews have taken place to identify why delivery failures have occurred. Studies such as external reviews and internal lessons learned exercises have been conducted leading to several recommendations which are currently being implemented.
- 2.6 The in depth reviews have included scrutinising the programmes failings and analysing in detail, the current Gateway process to identify the exact point of when a failure occurs with projects within the capital programme.
- 2.7 Recommendations have now been aligned with Haringey's Asset Management Strategy 2020 to 2025. This enables our delivery of this work to support the Council's objectives and priorities.
- 2.8 Homes for Haringey's investigative studies also identified that legacy procurement contracts were also an area for improvement. Homes for Haringey are now in the process of finalising and implementing a newly formed delivery procurement strategy. However, some of these contracts are still live with the ongoing works being concluded.

3 Recommendations

- 3.1 That pursuant to Contract Standing Order CSO 9.07.1(d) Cabinet approves additional costs and variations to Programme A, B and C within the Major Works year 2 project. This is set out in paragraph 6.17 of the report.
- 3.2 For Cabinet to approve the additional professional fees of £373,965 that represents 7.55% of the contract sum. This is in line with agreed terms in the contract. These fees are highlighted in the table referenced in paragraph 6.17.
- 3.3 For Cabinet to note that the original total contract sums for the project approved to date is £17,853,402.

- 3.4 For Cabinet to note that the total revised contract sums for the project will be £23,180,545.

4 Reasons for decision

- 4.1 The year 2 major works project is part of Homes for Haringey's investment into the homes of the residents of Haringey Council to improve the living conditions across the borough and increase decency in the housing stock.
- 4.2 Cabinet agreed in February 2018 to appoint Ridge and Partners LLP as Homes for Haringey's multidisciplinary construction related consultant. Future projects under consideration will be project managed, designed and cost managed by Homes for Haringey and Ridge.
- 4.3 The year 2 major works were approved by Cabinet in October 2019 and mobilised in January 2020.
- 4.4 Due to Covid-19, Homes for Haringey closed all non-essential works between March and July 2020.
- 4.5 Following the remobilisation, Ridge identified additional works across the programme. Homes for Haringey requested a full survey take place across the year 2 projects and the creation of a full cost report.
- 4.6 A review of the works included within the programme, showed a failure to identify all elements of the work upfront in order to achieve a holistic delivery and to complete all the works required to each property.
- 4.7 Ridge submitted the additional cost report in November 2020, identifying that a further £5m would be required to holistically deliver the year 2 project.
- 4.8 In addition to the above, Homes for Haringey carried out the annual fire risk assessments within communal areas. As a result of these, further works were identified to reduce the risk of fire spread and improve fire safety measures. Therefore, Homes for Haringey recommends the following be included within the three external packages of works:
- Automatic fire detection works.
 - Fire safety works.
 - Roof space compartmentation works.
- The costs are included in Part A, Exempt information.
- 4.9 Approval is also required for the additional costs for extension of time to deliver the works. The extension of time has been incurred as a result of the suspension of works on site between March 2020 and June 2020, in line with the government's Covid-19 guidelines.
- 4.10 This claim for extension of time costs is currently being assessed and the full amount is unlikely to be agreed. The costs are included in Part A, Exempt information.

- 4.11 Further approval is also required for the extension of time to carry out all additional works proposed across the three programmes. The costs are included in Part A, Exempt information.

5 Alternative options considered.

- 5.1 Consideration was given to removing the additional work from the contract, but this was not recommended. It is more cost efficient to undertake these works during the year 2 project, removing the additional cost associated with mobilising new contracts. In addition, the holistic delivery model is less disruptive to residents because Homes for Haringey can complete all the works in one project. This will remove the need to hold intrusive works across multiple years.
- 5.2 Additional considerations for not conducting the additional works would result in the properties still having decent homes failures and potentially non-compliant elements. An increased repair and revenue expense would also be expected over the next few years and a decreased value in the Council's stock. Taking the holistic approach also assists with minimal disruptions to our residents.

6 Background information

- 6.1 The major works year 2 project is comprised of 1393 properties. This project was designed to carry out all necessary external works to ensure the properties are brought up to current Decent Homes standards.
- 6.2 The package includes external decoration, windows and door replacement, roof replacements, brickwork and pointing repairs. Works to ensure all properties have suitable protection from the elements and increased thermal efficiencies were also included.
- 6.3 During the project design phase, the 2015 stock condition data was the main source of information used to create the schedule of works for the year 2 major works package.
- 6.4 Ridge initially carried out roadside validation surveys. The programme was split into three packages and uploaded to the London Construction Programme¹ (LCP) to procure contractors to deliver.
- 6.5 Approval was given on 8 October 2019, by Cabinet, to appoint two contractors to provide construction services for three contracts: (Programme A, B and C. See 3.1). The contractors will work with Homes for Haringey to deliver the external capital investment project named year 2 (2019/20) external to Haringey's Council housing stock.
- 6.6 Each year of the programme contains a mix of estates and scattered dwellings. Scattered (non-estate) dwellings have generally been grouped by street for programming purposes. For estate dwellings, the intention is to

¹ The LCP is a virtual partnership of various buying organisations offering procurement solutions to deliver construction projects more efficiently and effectively.

carry out works on an estate-wide basis, meaning no further planned works will be required for at least five years. The remaining estates and scattered properties have been allocated to a year within the programme according to the following criteria: -

- High need – Decent Homes Standard building components,
- High need – Non-Decent Homes Standard building components.
- Years since last worked on.
- Average repair cost over the last three years.

- 6.7 The Government's Decent Homes standard says a decent home is one that is windproof, weather tight, warm and has modern facilities. Haringey's standard is higher than the set criteria set by the Government.
- 6.8 The external element of the capital programme will pick up the renewal of all components outside the property. So, drawing together Decent Homes items as well as door entry systems, landlord's electrics, common part decorations and planned maintenance.
- 6.9 The properties in the three programmes have been drawn from the highest priority dwellings based on the criteria outlined in 6.6. However, to expedite delivery, blocks with Leaseholders have been omitted from year 2. Blocks with Leaseholders that would otherwise have been included in year 2 have been prioritised for the year 3 programme that is intended to proceed in 2021-22.
- 6.10 The scope of works comprises the following: The renewal of roofs, windows, doors, as well as brickwork and concrete repairs, replacement of rear boundary fencing and external decorations.
- 6.11 Following in-depth pre-start surveys during the first phase, each programme showed an increased need for further investment. This was in addition to the recorded stock condition data. During the design process, limited access was available. The programme of works was therefore based from the 2015 borough wide stock condition survey. The works identified that were not visible during the original survey include the following: -
- Additional windows and doors.
 - Additional defective brickwork, pointing and concrete repairs.
 - Rebuilding of parapet walls at roof level.
 - Remedial works to roof structures to comply with current building regulations.
 - Flat roof and balcony repairs.
- 6.12 To reduce the risks of fire spread and improve fire safety measures it is proposed to include Automatic Fire Detection (AFD) works and compartmentation works within the programme. The scope of these works has been identified by fire risks assessments (FRAs) within communal areas. The FRAs are based on the LACORS (Local Authorities Coordinators of Regulatory Services) guidance, which helps manage the landlord's responsibility between the Housing Act 2004 and the Regulatory (Fire Safety) Order 2005. It includes the standard approach for managing fire risk

within street property conversions. It is accepted that the required standard of protection criteria has been enhanced since these houses were originally converted. The current protection does meet the required compartmentation standard between the flats. The guidance recommends the installation of AFD systems to allow early and simultaneous evacuation in the event of a fire to all flats within the building.

- 6.13 The communal areas and dwellings require the installation of a fire alarm system, with heat and smoke detectors, to comply with current fire safety requirements, Building Regulations and British Standards. It is proposed to carry out the following work to the communal areas to provide further fire protection to these dwellings in the event of a fire:-
- The replacement of non-compliant flat entrance door sets to individual flats with fire certified door sets.
 - The provision of emergency lighting.
 - The upgrading of electrical installations to comply with current regulations.
 - Decorations and associated works.
- 6.14 These proposed works will improve the safety and increase the decency standards of the properties in this programme.
- 6.15 A survey of loft spaces has been carried out by Ridge to identify any breaches between neighbouring properties affecting the party walls. A report has been prepared which sets out works required to rectify the breaches to comply with fire safety regulations. It is proposed to carry out these works as part of the programme of works outlined in this report.
- 6.16 Following mobilisation of the year 2 project, works started on site in January 2020 and scaffolding was erected to carry out the works. In March 2020, the Government announced a nationwide lockdown due to Covid-19. Homes for Haringey instructed the contractors delivering the programme to suspend the works. The works were suspended for a period of 16.2 weeks and resumed in July 2020. The period of suspension will result in an additional cost for extension of time set out in Part A, Exempt information.
- 6.17 Additional costs and variations are set out below:

Item	Original Financial Provision (Tender Stage)	Further approval now sought	Revised total
Building Contract	£16,600,095	£4,953,178	£21,553,273

Fees	£1,253,307	£373,965	£1,627,272
Total	£17,853,402	£5,327,143	£23,180,545

Programme A:

Works included are for the renewal of roofs, windows, external brickwork repairs and improvements to communal and external areas at a total increased cost of £2,179,390. The aggregate value of the contract including additional costs and variations now totals £7,410,455 excluding fees.

Item	Original Financial Provision (Tender Stage)	Further Approval Now Sought	Revised Total
Building Contract	£5,231,065	£2,179,390	£7,410,455
Fees	£394,945	£164,544	£559,489
Total	£5,626,010	£2,343,934	£7,969,944

Programme B:

Works included are for the renewal of roofs, windows, external brickwork repairs and improvements to communal and external areas at a total increased cost of £2,266,890. The aggregate value of the contract including additional costs and variations now totals £8,041,765 excluding fees.

Item	Original Financial Provision (Tender Stage)	Further Approval Now Sought	Revised Total
Building Contract	£5,774,875	£2,266,890	£8,041,765
Fees	£436,003	£171,150	£607,153
Total	£6,210,879	£2,438,040	£8,648,919

Programme C:

Works included are for the renewal of roofs, windows, external brickwork repairs and improvements to communal and external areas at a total increased cost of £506,896. The aggregate value of the contract including additional costs and variations now totals £6,101,050 excluding fees.

Item	Original Financial	Further Approval	Revised Total
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	Provision (Tender Stage)	Now Sought	
Building Contract	£5,594,155	£506,898	£6,101,052
Fees	£422,359	£38,271	£460,629
Total	£6,016,514	£545,168	£6,561,682

6.18 The project details are as follows: -

Number of dwellings in the project	1,393 units
Start on site (A, B, C)	December 2019
Anticipated completion (A, B)	June 2021
Anticipated completion (C)	April 2021
Contractors (A & B)	Engie
Contract (C)	Amber

Areas identified for Homes for Haringey's improvement.

6.19 Following the additional work being highlighted for this project, a lesson learned exercise was conducted. A number of actions are being incorporated into our business as usual way of working to ensure failures such as upfront costs are identified at design stage.

6.20 Table of immediate actions:-

Area for improvement	Issue identified	Action to date
Project Management	Scoping Programming Reporting	1. Following meetings with Ridge, Homes for Haringey have changed how Ridge report. This has now been broken down to allow greater visibility across each project. 2. The report will form part of a multi-level tracker with full transparency allowing for in-depth review when reporting on each phase of a project.
Correct work specifications	Scoping	1. Sufficient time in the programme to complete surveys. 2. Monitoring of the survey programme including no access and quality of data returned. 3. Internal quality assurance surveys. 4. Ensuring the correct resource internally.
Over reliance on external providers	Scoping Programming Contract	1. Improved consultant management arrangements implemented.

Area for improvement	Issue identified	Action to date
	Management Reporting	<p>2. Homes for Haringey are reviewing each individual project to identify whether external resources are required.</p> <p>3. When required, a wider framework of consultants will be used, more tailored to the expertise required.</p> <p>4. A greater drive on activities being conducted in house will also be adopted.</p>
Internal project management	Contract Management Reporting	<p>1. Homes for Haringey are currently reviewing the internal delivery model to include roles and responsibilities.</p> <p>2. Resources are being brought in to review the reporting of the programme to address the needs of the housing stock.</p>

- 6.21 A more strategic way of working has now been adopted. This will involve working closer with the Haringey Council ALMO Client Management team. Operational delivery strategies are now being developed on aspects such as programming, procurement and delivery.
- 6.22 The internal team structure has undergone an urgent review with immediate resources identified. Roles for the programming of works and contract management are currently being recruited to and have been advertised.
- 6.23 An additional “operational” step will be added to the Gateway process design stage. An internal Quantity Surveyor, Contracts Manager and Administration resource will be urgently recruited to, to manage the additional “operational” step.
- 6.24 The step will be added between points 4 and 5 of the current Gateway process and will include the Asset Management team’s Commercial resources working with the allocated Project Managers to quality assure, review and if required, amend project scopes following the detailed the feasibility report stage.
- 6.25 Homes for Haringey’s internal governance will also be increased, creating forums such as internal steering group evaluation reviews. Processes will include senior management interaction and sign off, dependant on the value of works. Escalation routes to Homes for Haringey’s Executive Director of Property and Managing Director will be clearer and used when applicable.

7 Consultation

- 7.1 Consultation with residents has taken place to establish their choices and to identify any specific needs. Drop-in sessions were held in January 2020 for the programme.

- 7.2 The follow up residents' newsletter was sent on 10 December 2020 to update residents about progress and details of the contract.

8 Leasehold implications

- 8.1 There are no leaseholders' properties included in this project.

9 Conservation areas

- 9.1 There are properties in the programmes that are within conservation areas. Planning permission queries were identified prior to the project commencing. Applications made for properties in the conservation areas have not yet been awarded but these are being pursued and expected to be accommodated within the remaining project timeline.

10 Contribution to strategic outcomes

- 10.1 This project will help to achieve the Borough Plan Outcome 3: 'We will work together to drive up the quality of housing for everyone'. This will include contributing to delivering the following objectives: -
- Improve the quality of Haringey's Council housing, including by ensuring that 100% of homes meet the Decent Homes Standard by 2025.
 - Improve residents' satisfaction with the service they receive from Homes for Haringey to be in the top quartile for London (78%) by 2022.
 - Ensure safety in housing of all tenures across the borough, responding to new regulations as they emerge.
- 10.2 Outcome 3 which comes under the Borough Plan's Housing priority, for which the vision is for safe, stable and affordable home for everyone, whatever their circumstances.

Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

11 Finance

- 11.1 In October 2019, cabinet approved a total contract sum of £17.85m including fees.
- 11.2 Additional works were identified in November 2020, totalling £5.33m including fees.

- 11.3 Cabinet, by this report, is asked to approve this additional sum for variation in external works not visible at time of initial survey.
- 11.4 This additional works cost brings the total cost of contract to date to £23.18m as shown in the table below:

Major Works (External works) Year 2 programme - Contract cost analysis				
	Programme A	Programme B	Programme C	Total
	£'m	£'m	£'m	£'m
Initial Contract sum	£5.23	£5.77	£5.59	£16.60
Fees	£0.39	£0.44	£0.42	£1.25
Original Contract Sub Total (Oct 2019)	£5.63	£6.21	£6.02	£17.85
Additional Contract	£2.18	£2.27	£0.51	£4.95
Fees	£0.16	£0.17	£0.04	£0.37
Additional contract Sub Total (Nov 2020)	£2.34	£2.44	£0.55	£5.33
Revised Total Contract	£7.41	£8.04	£6.10	£21.55
Revised Total fees	£0.56	£0.61	£0.46	£1.63
Grand Total	£7.97	£8.65	£6.56	£23.18

- 11.5 A total sum of £5.08m has been spent so far. This leaves a projected spend of £18.11m profiled to be spend as shown in the table below.

Financial year	Works	Fees	Total
Up to 31/03/2021	£8.98	£0.23	£9.21
2021/2022	£8.33	£0.05	£8.38
2022/2023	£0.52	£0	£0.52
Total	£17.83	£0.28	£18.11

- 11.6 The projected expenditures of £9.21m in 2020/21 will be met from the existing stock capital works programme 2020/21 budget previously approved.
- 11.7 The remaining projected expenditure of £8.38m is covered in the existing stock capital programme 2020/21-25 MTFS.
- 11.8 The project was tendered based on the framework pricing, commitment to meet project timescales and carrying out the works. The named contractor was selected following an assessment of a submission deemed satisfactory and to have met the requirements.
- 11.9 No contribution to the cost of the project is expected from leaseholders as no leasehold property is affected.

12 Procurement

- 12.1 Strategic Procurement support the variations of these three contracts as they all comply with regulation 72 and are accordance with clause 10.02.1 of the Contract Standing Orders.

13 Legal

- 13.1 The Head of Legal and Governance has been consulted in the preparation of the report.
- 13.2 Strategic Procurement have confirmed the variations of the contracts which this report relates to comply with Regulation 72 of the Public Contracts Regulations 2015.
- 13.3 Pursuant to Contract Standing Order 10.02.1(b) Cabinet have authority to approve the variations which this report relates to.
- 13.4 The Head of Legal and Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

14 Equality

- 14.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 14.2 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/fait, sex and sexual orientation. The first part of the duty applies to marriage and civil partnership status only.
- 14.3 The decision is to approve additional costs and variations under an authorised building contract to progress the Major Works year 2 programme. The decision will primarily impact residents living in properties managed by Homes for Haringey. It is notable that women, BAME communities, and individuals with disabilities and/or long-term health conditions are overrepresented among Council housing tenants in Haringey. There is no indication that this decision will result in any foreseeable negative impacts on any individual or group that shares the protected characteristics. Considering that the overall objective of the contract is to bring 1393 properties up to the Decent Homes Standard, it is anticipated that there is an overall positive equality impact to this programme. It is noted that the holistic delivery model is deemed less disruptive to residents than mobilising new contracts. It is also noted that consultation has taken place with residents to establish their choices and to identify any specific needs.
- 14.4 All contractors will be required to carry out their work in line with public health guidance, including with regard to access to residential units where residents are shielding or vulnerable, in which categories those with protected characteristics, such as disability and age, feature disproportionately.

- 14.5 As a body carrying out a public function on behalf of a public authority, the contractor will be required to have due regard for the need to achieve the three aims of the Public Sector Equality Duty, noted above. Arrangements will be in place to monitor the performance of the contractor and ensure that any reasonably possible measures are taken to address any issues that may occur that may have a disproportionate negative impact on any groups who share the protected characteristics.

15 Use of appendices

- 15.1 Appendix A: Part A Exempt information.

16 Local Government (Access to Information) Act 1985

- 16.1 In October 2016 Cabinet agreed to adopt a new approach and standard for delivering investment in the housing stock, following the end of Decent Homes funding as noted of the October 2016 Cabinet report. Cabinet also agreed that Homes for Haringey should develop a new Asset Management Strategy and Investment Plan; with approval of the plan delegated to the then Director of Regeneration, Planning and Development, after consultation with the Lead member for Housing and Chief Operating Officer.

16.2 Asset Management Strategy 2020-25

<https://www.homesforharingey.org/repairs-and-maintenance/major-works>

16.3 Stock Investment and Estate Renewal Policy

<http://www.minutes.haringey.gov.uk/documents/s88262/>

16.4 Award of contract for multi-disciplinary professional services

In February 2018 Cabinet agreed to appoint Ridge and Partners LLP as multi-disciplinary professional consultants:-

<http://www.minutes.haringey.gov.uk/documents/s99594/>

16.5 Medium Term Financial Strategy 2018/19-2022/23

In February 2018 Cabinet approved the capital budget to deliver a 5 year investment plan:-

<http://www.minutes.haringey.gov.uk/documents/s99632/>

Part B is:

NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

This report is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).