

INFORMATIVE REPORT
PLACEMAKING & HOUSING HOMES BOARD
MEETING DATE: 17th August 2023

Land at the rear of Plevna Crescent, N15 2DS

Seven Sisters Ward

Project Manager: Gill Kirby
Senior Project Manager: David Doherty

PURPOSE OF REPORT:

To inform Placemaking & Housing Board of the current status of the Plevna Crescent s106 acquisition scheme and advise of the steps and measures being taken by the project team to ensure the Council's interest in the scheme is being protected.

Recommendations:

Placemaking & Housing Board is asked to note:

- **Contractor Insolvency: The Developer's main contractor has gone into administration.**
- **Quality Issues: The reinforced concrete frame has a number of quality issues, which are being investigated and remedied.**

1. SUMMARY

This report advises Placemaking & Housing Board that the Developer's main contractor, Henry Construction Projects Ltd (HCP), has gone into administration following several months of financial difficulty.

The administrators took control of all HCP's business affairs, including all construction sites, assets and finances on Thursday 8th June 2023.

The Developer, Gate of Eden Ltd (GoE), is working with their funders and project management consultant to devise a strategy to continue construction of the scheme and deliver the finished new homes by a date to be confirmed.

This report also advises that there have been significant quality issues on site, which are being investigated and remedied.

The project team is working to ensure the new homes, block and external communal areas are being constructed and finished to the required quality standards when presented to the Council for handover at completion.

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2. SCHEME DESCRIPTION

The scheme is a private sector development, comprising 4 blocks of flats and a total of 72 homes with associated communal heating system, undercroft parking and landscaping. Under the S106 Agreement, 14 homes are for affordable housing.

The Council is purchasing 16 homes, 14 S106 homes plus 2 additional homes. These homes will all be let at Social Rent.

Table 1 – Schedule of Accommodation

Tenure	1b1p F	1b2p F	1b2p F WC	2b3p F	2b4p F	3b5p F	4b6p	Total
Social rent	1	2	2	6	2	2	1	16

3. BACKGROUND

The Developer, Gate of Eden Ltd (GoE), entered into a JCT Design & Build contract with Henry Construction Projects Ltd (HCP), to build the scheme at Plevna Crescent.

The Council entered into a Sale and Purchase Agreement with GoE, to purchase 14 homes which are the S106 Affordable Housing Contribution. The Council opted to acquire 2 additional homes which were in the affordable housing block to ensure it had control of the management of the full block. These additional homes attract GLA subsidy at a rate of £100,000 per home.

The block is being purchased on a 999 year lease.

The terms of the Sale and Purchase Agreement are that the Council paid a 10% deposit when the Agreement was signed, which is held by GoE's solicitors as Stakeholder. This means that GoE will not receive the deposit until completion and handover, when the balance less retention, will also be paid by the Council.

The Council will have full management and maintenance responsibility for the block. However, there will be an element of service charge to be paid to the management company that relate to management and maintenance of:

- Undercroft parking
- External landscaping/play area
- Access control systems for gates
- External lighting

The Developer is liaising with the LPA to agree an amendment to change the heating and hot water system from a communal gas boiler to a more sustainable option and isolate the services by block. This will mean the Council will have full management and maintenance responsibility for the plant within the block.

The project team is working to limit service charge liability, by taking management responsibility of all block specific elements away from the management company.

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Construction was due to commence in early 2020. However, due to the pandemic, this was delayed, and the Developer lost their initial funding deal.

The Developer arranged a new funding arrangement and work started on site in November 2021 with a target completion date calculated to be 30 months from commencement. There is an additional Longstop date, which is 36 months from commencement.

The latest official programme is as follows:

- Start on Site: 15 November 2021
- Target Completion Date: 15th May 2024
- Longstop Date: 15th November 2024

The Developer will attempt to deliver the scheme within these dates. However, due to situation with HCP, this programme could be amended.

4. CONTRACTOR INSOLVENCY

The Developer's main contractor, Henry Construction Projects Limited were experiencing financial difficulties and walked away from the site on 2nd June 2023.

They went into administration on 8th June 2023. At which point the administrators took control of the business, construction sites, assets and financial matters.

No construction activity is currently happening on the site.

The Developer has advised that they are working with their funders and consultant team to devise a strategy to re-start work on site as quickly as possible.

Their intension is to act as Construction Manager/Principal Contractor via a subsidiary company. The subsidiary company will sub-contract the existing consultants and sub-contractors originally appointed by HCP. In so doing, they will be able to get the works back on track quickly and crucially, the continuity will help to reduce delays. It also means GoE will be able to provide the warranties required under our Agreement.

The latest information from GoE is that they plan to recommence work on 1st July. However, this date is ambitious and dependent on how quickly they can get into contract with all necessary parties.

There is a risk that some of the sub-contractors and consultants may not wish to continue working on the scheme. For example if they are owed money by HCP that GoE is not willing to pay, having already paid the equivalent monies to HCP.

The works programme is estimated to be 12 months from re-commencement to completion and should not need a variation to our Agreement with GoE. Although, the funders may wish to build a further time contingency into the Agreement. In which case the Council will negotiate a variation to the Agreement.

We have contacted the Council's Legal Team with regard to the current status of the project and have been advised that under the terms of our Agreement with GoE, we are bound to agree an extension of time should that be requested.

5. Quality Issues

During construction of the reinforced concrete (RC) frame for our block the Council's Clerk of Works was asked to pay particular attention to the condition of the concrete, due to extremely hot weather conditions, which can negatively impact the curing process of freshly poured concrete.

It was discovered that the concrete was cracking, uneven and in places there was an indication that the steel reinforcement was not adequately covered by concrete. Issues were also identified where joints were formed at junctions where vertical columns meet horizontal slabs. The standard preparations had not been carried out correctly, which could weaken the joints over time or cause them to fail altogether.

As a result of these issues coming to light, the Developer and their main contractor were asked by the Council to fully investigate the condition of the RC frame with a cover survey and assessment of the as built structure against the design and structural calculations.

The Council was not satisfied with the outcome of their investigation, which indicated there were very few areas requiring remedial action.

The Council subsequently appointed an independent consulting engineer to carry out a review of the evidence and report provided by HCP.

The engineer agreed that there are significant quality issues with the construction of the RC frame for the Council's block. The findings showed the issues are not such that the building is likely to collapse under exceptional load from high winds or other stress, but more to do with longevity of the structure. A rough estimate offered informally by the Council's engineer suggested we could see deterioration in the RC frame, requiring extensive remedial work within circa 30 years.

When presented with this assessment, the Developer agreed to proceed with a full survey, carried out jointly by the Council's appointed engineer and HCP's appointed engineer, to identify all areas of the RC frame that appeared not to meet the required standard. GoE further agreed to appoint a specialist concrete surveyor to carry out an intrusive survey to determine the exact extent of the problems and recommend remedial solutions.

Following the instructive survey, a programme of remedial works will be undertaken. This work will be regularly inspected by both the Council's Clerk of Works and consulting engineer to ensure it is correctly executed, to ensure the RC frame meets all requirements and expected lifespan.

6. LEGAL POSITION

There is currently no legal action required on the Council's part. Although, there is a possibility the Agreement will need a variation, should the programme dates move beyond the current forecast.

The Council's legal team is aware of the current status of the scheme and will be ready to respond to any actions that arise.

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7. FINANCE COMMENTS – including fit within the HRA

8. PROGRAMME

The latest official programme is as follows:

- Start on Site: 15 November 2021
- Target Completion Date: 15th May 2024
- Longstop Date: 15th November 2024

The Developer will attempt to deliver the scheme within these dates. However, due to situation with HCP, there may be changes to the programme in due course.

9. TOP RISKS & ISSUES

RISKS	DESCRIPTION OF RISK	Risk Rating Low, Medium, High	MITIGATING CONTROLS
Quality	Quality issues with the RF Frame. Remedial works need to be carried out to ensure the structure meets all requirements in terms of standards and lifespan.	Med	The Council has appointed a consulting engineer to advise on the issues and the route to remediation.
ISSUES	DESCRIPTION OF ISSUE	Issue Rating Low, Medium, High	MITIGATING CONTROLS
Insolvency	Developer's main contractor insolvency	High	The issue is for the Developer to resolve, which they are currently working on. However, the Council needs to be aware of possible programme changes. There does not appear to be a risk that the Developer will abandon the project, but we are in regular contact with them and if this looks like a possibility, the risk will be reported.