



Cabinet
14 November 2022

**Report from the Corporate Director,
Resident Services**

Refurbishment of Granville Homes

Wards Affected:	Kilburn
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One Appendix 1 Key Decision Report – Transfer of Granville New Homes
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Giuseppe Coia, Major Works and Refurbishments Manager 07776 665790 Giuseppe.coia@Brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report is to update Cabinet on the progress to remediate the housing stock known as Granville New Homes. The properties have inherent water penetration issues and poor fire protection. They therefore require extensive remediation in order that they can continue to provide accommodation for 110 Council tenants.

2.0 Recommendations

Cabinet is asked to:

- 2.1 Agree the criteria for the works as set out in section 4 of the report.
- 2.2 Approve the inviting of tenders and awarding the contract to a suitably experienced Technical Consultancy that will manage the design, procurement and delivery of the refurbishment works to the properties based on the pre-tender considerations set out in paragraph 8.4 of the report.

- 2.3 Delegate of the award of the contract for Technical Consultancy to the Corporate Director, Residents Services in consultation with the Cabinet Member for Housing, Homelessness & Renters Security.
- 2.4 Delegate approval of the procurement, pre tender consideration, evaluation and contract award to a suitably experienced Contractor that will undertake the refurbishment works to the properties, to the Corporate Director, Residents Services in consultation with the Cabinet Member for Housing, Homelessness & Renters Security.
- 2.5 Approve the allocation of £26.4 Million inclusive of VAT from capital to fund the Works and Technical Consultancy services in accordance with the detail set out in the report.

3.0 Background

- 3.1 In February 2021, First Wave Housing (FWH) commissioned a consultant to investigate water penetration, cladding and window issues at FWH's Granville Road, Princess Road, and Canterbury Road blocks (otherwise known as Granville New Homes). The consultant produced a report that recommended that works be carried out at the blocks to remediate these issues. The consultant's report estimated that the cost to FWH of carrying out remediation works would be £13.5m. With the addition of VAT, management fees, contingency, and fire safety works that have already been carried out, the total estimated cost was £18.5m, which was unaffordable for FWH.
- 3.2 Within these constraints, in collaboration with the Council as Guarantor, FWH carried out an analysis into options for funding and carrying out remediation works. The results of the options analysis were presented in a report to Cabinet on 11 October 2021. The report highlighted excluded options and the reasons for their exclusion.
- 3.3 The reported recommended disposing of the blocks to the HRA – subject to a consultation with residents. The report presented options for structuring a disposal to the HRA. The recommended option, which was agreed by Cabinet, was to transfer the freehold for the blocks including the 84 social housing units, one leaseholder, and Tabot Community Centre to the HRA and 25 intermediate units to i4B and to refinance FWH's debt. This option best balances the costs between the Council's General Fund, HRA and housing companies and ensures the works are carried out as rapidly as possible.
- 3.4 On the 6 December 2021, the Strategic Director of Community Wellbeing, in consultation with the Deputy Leader and Director of Finance, gave his approval for (FWH) to dispose of the following properties which make up the blocks at Granville Road, Princess Road and Canterbury Road which are collectively known as Granville New Homes:
 - (i) 25 intermediate rented properties to i4B Holdings Limited (i4B).
 - (ii) 84 social rented units to the Council's Housing Revenue Account (HRA).
 - (iii) One leasehold property to the Council's HRA.

(iv) The freehold interest of the site to the Council's HRA (including the Tabot Centre).

4.0 Survey Findings

4.1 There are two main issues with the blocks. These are the water ingress at various locations in the blocks and uncertainty about the fire rating of the external and internal walls and floors. These two issues are interlinked as they are generally related to the same construction elements. Thus, both issues will be resolved in tandem.

Fire Safety

4.2 The fire risk assessment for the blocks, and the subsequent intrusive investigations have identified that the construction is poor. The blocks have two distinct methods of cladding. One is formed of cementitious panels and the other is of brick effect panels. Both of these appear to have a variety of insulation materials, including expanded polystyrene, mineral wool and void spaces. Because of this, the fire rating of the blocks is uncertain. However, they will certainly not comply with current building regulations and are unlikely to have complied with the class 0 requirements at the time of construction.

4.3 The panels and insulation will require to be removed and replaced with A1 or A2 rated materials to comply with building regulations.

Water Penetration

4.4 The properties have suffered from water penetration for many years. Attempts at remediation have been unsuccessful.

4.5 Ridge Consultants were commissioned to undertake an intrusive survey of the blocks and to identify any significant areas of defect.

4.6 Ridge's findings are as follows:-

- The external envelopes on these buildings have been constructed from relatively inexpensive materials and there is evidence of poor-quality workmanship.
- There is a lack of information available, relating to the original build and it is clear that what has been installed on site has not worked.
- The doors and windows are suffering rot and timber decay, which is not, a defect readily associated with buildings of this age.
- The horizontal surfaces to the external envelopes (roofs, balconies and walkways) have been poorly finished.

- A further note is that none of the components that have been installed should have failed because of age.

4.7 Ridge's recommendations are as follows:

- The defects noted in relation to the buildings' external envelopes are not easily repairable in a way that will offer a guaranteed and satisfactory solution. On this basis, the only available option is to replace the facades, roof coverings and balcony waterproofing systems.
- All specified systems and products will have long insurance backed guarantees. All designers and the main contractor will provide warranties. The Council's legal team will review these before making any appointments.

4.8 A key to being able to complete these works without decanting residents is being able to work without disturbing the internal blockwork leaf of the system. It is likely that once the cladding is removed, the blockwork wall behind it will remain intact. This may mean that not all residents require being decanted. Only vulnerable residents may require decanting.

Energy Efficiency

4.9 As a consequence of the fire safety works specification. The energy efficiency rating of the properties will also be improved.

5.0 Works undertaken to Date

5.1 It was identified that the blocks have suffered from a number of defects, which included fire safety issues, water penetration, window and cladding defects.

5.2 In addition to the above the Fire Brigade served FWH with Enforcement Notices, which led to a waking watch to be introduced in the blocks.

5.3 A comprehensive communal and dwelling interlinked fire alarm system has been installed into the properties. This has now been set up with alarm monitoring arrangements.

5.4 In addition, combustible materials have been removed from communal areas and additional fire stopping has being installed. The waking watch has been removed as the alarm monitoring has been commissioned and now in use.

5.5 The fire alarm system will be monitored in order that any suspected smoke or fire is alerted to the London Fire Brigade.

6.0 Budget Requirements

6.1 The nature of the works is significant and therefore costly. The estimated cost of the works and associated works and consultancy services is £19,870,804. This includes costs associated with supporting more vulnerable residents such

as respite care and temporary decanting, inflation and a contingency. The works are high risk and the market is currently extremely volatile in terms of costs and pricing, hence the large contingency. In addition, it is prudent at this stage to make provision for the potential decant of a significant number of residents who may not be vulnerable but who may not be able to stay in their homes during some or all of the works. Therefore, Cabinet is requested to allocate £22M plus VAT to this project.

6.2 The difference in cost from the 6 December Cabinet report is due to ongoing uncertain market cost conditions, and the addition of VAT. Some allowance has been made for ongoing building cost inflation. However, due to several uncertainties in the marketplace and world events, there may be further building cost increases. Cabinet will be advised of this should this become apparent during the course of the project.

			Original Cost	Estimated Inflation to 2024	Updated Cost
	Peel Block		£ 4,550,000	£ 910,000	£ 5,460,000
	Pilgrim		£ 4,435,000	£ 887,000	£ 5,322,000
	Granville West		£ 2,475,000	£ 495,000	£ 2,970,000
	Granville East		£ 2,185,000	£ 437,000	£ 2,622,000
	Sub Total		£ 13,645,000	£ 2,729,000	£ 16,374,000
	Technical Consultancy and Procurement				£ 654,960
	Resident Support Costs				£ 250,000
	Sub Total				£ 17,278,960
	Contingency	15%			£ 2,591,844
	Grand Total				<u>£ 19,870,804</u>

6.3 i4B as a leaseholder of 25 of the units will be required to make a contribution to the works as determined by the lease. The Council will be required to consult with i4B on the cost of the works and on the procurement process. This will include VAT, which is not shown above. There will also be the cost of the internal project delivery team within Housing Management Property Services.

6.4 More detailed budget costs will be calculated once the project team are established.

6.5 There are 26 leaseholders on the estate, 25 of which are i4B dwellings. Due to the circumstances of how the works arose, it is recommended that no leaseholder recharge is applied to the non i4B leaseholder. The expected recharge to i4B is covered in section 9 below.

7.0 Programme

7.1 This project is likely to take circa 3 years to complete.

The outline programme is:

Cabinet, decision-making, funding, risk register, etc. – Sep 2022 to Dec 2022.

Procurement of consultant - Nov 2022 to Mar 2023.

Consultation event Mar 2023.

Preparation of specification, planning requirements – Feb 2023 to Jul 2023.

Resident profiling and draft individual household plan – Jun 2023 to Sep 2023

Procurement of contractor (via a framework) – Jun 2023 to Nov 2023.

Resident profiling and finalised individual household plan – Dec 2023 to Feb 2024.

Construction phase – Jan 2024 to Dec 2025.

7.2 A detailed programme for extensive resident consultation and resident profiling will be prepared. This will determine the support that each household requires, including the option of temporary decant if necessary.

8.0 Procurement

8.1 A procurement options appraisal was undertaken by HCIB.

8.2 This concluded that an experienced technical consultant should be procured to undertake the design, specification, and tendering and contract administration.

8.3 It also concluded that the contractor should be procured from an existing framework agreement.

8.4 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations for the procurement of the contract for Technical Consultancy for the Refurbishment of Granville Homes (the "Contract") have been set out below for the approval of the Cabinet.

Ref.	Requirement	Response	
(i)	The nature of the services / supplies / works.	Technical Consultancy for the Refurbishment of Granville Homes	
(ii)	The estimated value.	£654,960 plus 15% contingency £98,244 = £753,204, plus VAT.	
(iii)	The contract term.	<p>Procurement of consultant - Nov 2022 to May 2023.</p> <p>Preparation of specification, planning requirements – Feb 2023 to Aug 2023.</p> <p>Procurement of contractor (via a framework) – July 2023 to Dec 2023.</p> <p>Contract administration phase – Jan 2024 to Dec 2025.</p>	
(iv)	The tender procedure to be adopted.	Existing third party framework agreement.	
v)	The procurement timetable for the consultant.		Indicative dates are:
		Adverts placed	Dec 2022
		Expressions of interest returned	Jan 2023
		Shortlist drawn up in accordance with the Council's approved criteria	Jan 2023
		Invite to tender	Feb 2023
		Deadline for tender submissions	Mar 2023
		Panel evaluation and shortlist review	Mar 2023
		Interviews (if any) and contract decision	Mar 2023

Ref.	Requirement	Response	
		Report recommending Contract award circulated internally for comment	Apr 2023
		Corporate Director, Residents Services in consultation with the Lead Member for Housing, Homelessness & Renters Security approval	May 2023
		[Minimum 10 calendar day standstill period – notification issued to all tenderers and additional debriefing of unsuccessful tenderers (contracts covered by the full requirements of PCR 2015 only)]	May 2023
		Contract Mobilisation	May 2023
		Contract start date	May 2023
(vi)	The evaluation criteria and process.	<p>1. At selection, stage shortlists are to be drawn up in accordance with the Council's Contract Procurement and Management Guidelines by the use of a selection questionnaire to identify organisations meeting the Council's financial standing requirements, technical capacity and technical expertise.</p> <p>2. At tender evaluation stage, the panel will evaluate the tenders against the following criteria:</p> <p>60% Price / 40% Quality and Social Values</p> <p>Quality;</p> <ol style="list-style-type: none"> 1. Relevant experience of this type of work. 2. Resources and personnel. 3. Preparation of tender documents – design and specifications 4. Programme management. 5. Contract administration. 	

Ref.	Requirement	Response
		<ul style="list-style-type: none"> 6. Health and safety, and quality management including fire safety. 7. Compliance with the Building Safety Act. 8. Resident consultation and engagement.
(vii)	Any business risks associated with entering the contract.	<p>The following business risks are considered associated with entering into the proposed contract.</p> <ul style="list-style-type: none"> 1. Cost of the works increasing. 2. Cost of full decant. 3. Design risk. 4. Other <p>Financial Services and Legal Services have been consulted concerning this contract [and have identified the risks associated with entering into this contract set out sections below.</p>
(viii)	The Council's Best Value duties.	Procuring the contract via a framework will enable the Council to meet its Best Value duties.
(ix)	Consideration of Public Services (Social Value) Act 2012	In accordance with then Social Value Policy, 10% of the overall marks will be awarded for Social Value benefits
(x)	Any staffing implications, including TUPE and pensions.	None.
(xi)	The relevant financial, legal and other considerations.	See sections 9 and 10 below.
(xii)	Sustainability	Appropriate Sustainability provisions will be included in the contract in accordance with the Council's sustainability policy.

Ref.	Requirement	Response
(xiii)	Key Performance Indicators / Outcomes	Appropriate Key Performance Indicators / Outcomes will be included in the contract.
(xiv)	London Living Wage	The Contract will require the payment of the London Living Wage.
(xv)	Contract Management	A contract manager will be appointed and appropriate contract management provisions will be included in the contract.

9.0 Financial Implications

- 9.1 The HRA operates with a break-even budget, with limited financial capacity to absorb cost pressures without identifying offsetting budget mitigations. HRA currently faces competing pressures from investment requirements in its existing stock.
- 9.2 The estimated share of £19.9m total net spend on remediation cost to the HRA is valued at £15.4m, this works out as 77% (85 out of 110 properties) of net cost, resulting in an increase of £4.2m (38%) from previous cost estimate provided in 2021, due to projected construction cost inflationary uplifts and contingencies. The recharge to i4B will be as set out in the lease.
- 9.3 The remediation cost valued at £15.4m for the HRA can be part funded from provisions set aside of £6.1m, with the remaining balance of £9.3m funded through borrowing. The interest cost is estimated to be £0.47m per annum based on an assumed 5% borrowing rate in 2024.
- 9.4 Due to cost inflations and interest rate rises, there is an anticipated budget shortfall in the HRA, as rental income from Granville Homes is not projected to keep pace with expenditure requirements for the following 32 years. On average, the cost to the HRA is calculated at £0.14m per annum, which will be met through efficiency savings within support services.
- 9.5 Gross cost to i4B including VAT is valued at be £5.4m (£4.5m exc VAT) for remediation works.

10.0 Legal Implications

- 10.1 The proposed procurement of the two contracts is above the threshold for contracts for works and also for services under the Public Contract Regulations 2015 ("PCR 2015"). The estimated value of the consultancy contract is £753,204 and for the works contract is £26m.
- 10.2 The contract for consultancy services would be classed as a Medium Value Contract under the Council's Constitutions. Corporate Directors have delegated authority to approve the Pre Tender Considerations (Standing Order 89) set out in paragraph 8.4 above. However, as the matter is part of the

refurbishment project for Granville Homes, Cabinet is asked to approve the Pre Tender Considerations and once the tender process has been undertaken delegate the award of the contract to the Corporate Director, Residents Services in consultation with the Lead Member for Housing, Homelessness & Renters Security.

- 10.3 The Contract for works will be tendered and awarded following the recommendations of the consultancy contract. The value of the works contract would be classed as a High Value Contract. Officers are requesting that Cabinet delegate the authority to tender and subsequent award in accordance with Contract Standing Order 88 to the Corporate Director, Residents Services in consultation with the Lead Member for Housing, Homelessness & Renters Security.
- 10.4 As both contracts are subject to the full application of the PCR 2015, the Council must observe the requirements of the mandatory minimum 10 calendar standstill period imposed by the PCR 2015 before the contract can be awarded. The requirements include notifying all tenderers in writing of the Council's decision to award and providing additional debrief information to unsuccessful tenderers on receipt of a written request. The standstill period provides unsuccessful tenderers with an opportunity to challenge the Council's award decision if such challenge is justifiable. However if no challenge or successful challenge is brought during the period, at the end of the standstill period the Council can issue a letter of acceptance to the successful tenderer and the contract may commence.
- 10.5 There are leaseholder implications for i4B. There will be a requirement to consult with i4B in connection with the procurement process.

11.0 Equality Implications

- 11.1 The Council must, in the exercise of its functions, have due regard to the need to:
- (a) eliminate discrimination, harassment and victimisation
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it,

pursuant to s149 Equality Act 2010. This is known as the Public Sector Equality Duty.

- 11.2 Under the Public Sector Equality Duty, having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

11.3 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

11.4 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

12.0 Consultation with Ward Members and Stakeholders

12.1 The Cabinet Member for Housing, Homelessness & Renters Security has been consulted in regards to this report.

12.2 Ward members will be consulted in regards to this report.

13.0 Human Resources/Property Implications (if appropriate)

13.1 There are no implications.

Report sign off:

PETER GADSDON

Corporate Director, Resident
Services