

HRA tower block refurbishment and retrofit programme

Overview and Scrutiny Panel 16 July 2024

By	Sally O'Sullivan, Head of Tenant and Leaseholder Services
Cabinet Portfolio Member	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Key Decision	yes
Decision classification	Unrestricted
Call in status	yes
Ward:	East Cliff, Newington, Dane Valley, Central Harbour

Purpose of the Report

The HRA Tower block Refurbishment and Retrofit Programme is a hugely exciting project that is being delivered through a blended funding approach.

The project will deliver transformational works to 5 of the council's 6 tower blocks. The works include:

- Replacement of the external wall insulation (EWI)
- Retrofit measures to improve the energy efficiency
- Refurbishment works to improve structural and fire safety
- Cyclical and refurbishment works

In March 2023, Cabinet gave authority to proceed with the programme of work valued at an estimated £19.9 Million.

This report invites members of the Overview and Scrutiny Panel to review the proposal to increase the value of the overall project to £40.34 million, incorporating funding from the council's Housing Revenue Account Major Repairs Reserve together with external funding from both the Social Housing Decarbonisation Fund and the Building Safety Fund, ahead of seeking approval at Cabinet.

Recommendation(s):

Members of the Overview and Scrutiny Panel are asked to:

1. Note and scrutinise the following document that details the increase in the scope of the project to include emergency health and safety work.
2. Note the increase in the value of the overall project, in line with the approved capital programme.

1. Summary of Reasons

1.1 The costs of the programme has increased for 3 reasons:

- Inflation
- Identification of essential fire safety works, specifically the replacement of fire doors throughout the blocks and address inadequate fire stopping in the communal ventilation shafts of all blocks.
- Enhanced specification of the External Wall System to provide improved fire rating at the lower floors and durability.

2. Background

2.1 This project takes advantage of a blended funding opportunity to retrofit and refurbish 5 of the 6 tower blocks in the HRA social housing stock. The funding streams are as follows:

Funding stream	Value
Building Safety Fund (BSF)	£24.31m (100% of the External Wall Insulation remediation)
Social Housing Decarbonisation Funding (SHDF)	£4.25 million (Match Funded works with TDC contribution included below)
TDC HRA capital programme	£11.74 million (including match funding)

2.2 The works include the following:

- Replacement external wall insulation
- Retrofit measures to improve the energy efficiency of the blocks
- Refurbishment works to improve structural and fire safety
- Cyclical works to roof and balconies

2.3 Reports were brought to cabinet in Nov 2022 and again in March 2023. In March 2023, Cabinet gave authority to proceed with the programme of work valued at an estimated £19.9m, and award appropriate contracts to the estimated value of £18.2m to Mears Ltd for design and execution of work.

2.4 The project thus far has been successful, achieving the following milestones:

- Resident consultation on the design of the External Wall Insulation (EWI) and balconies
- Award of a Pre Construction Services Agreement to Mears Ltd to progress surveys and designs for the programme. (£1.145million)
- Planning consent received for designs on all blocks

- Award of a Joint Contracts Tribunal (JCT) contract for Minor Works that enabled works to start on the installation of High Heat Retention Storage Heaters (£2.161million)
- Successful drawdown of full funding award of SHDF for 2023/24 (£1,587,060)

2.5 As we have progressed the design phases of this project, the value of the project has increased to £40.34 million. This is due to the following:

- Inflation
- Identification of essential fire safety works, specifically the replacement of fire doors throughout the blocks and address inadequate fire stopping in the communal ventilation shafts of all blocks.
- Enhanced specification of the External Wall System to provide improved fire rating at the lower floors and durability.

3. Scope of works

3.1 The following scope of works was considered at Cabinet in March 2023:

- Replacement external wall insulation
- Retrofit measures to improve the energy efficiency of the blocks
- Refurbishment works to improve structural and fire safety
- Cyclical works

3.2 This high level scope of work has not changed, but discovery during the early design phases has raised issues previously unknown that we have to address within this contract. These previously unknown aspects of the project will increase the overall value of the contract, but not all extra cost will be borne by TDC and leaseholders.

3.3 The unexpected items that will have an impact on contract value are described in the following table:

Issue	Description	Action
<p>Inadequate fire stopping in the communal ventilation risers that run down the centre of all tower blocks.</p> <p>In Trove and Kennedy the Soil Vent Pipes (SVP) are end of life and require replacement</p>	<p>We need a ventilation strategy to complement the new heaters we are installing. Investigations were needed to establish the condition of the current communal ventilation shafts to see if they could continue to be used.</p> <p>The investigations revealed the following defects:</p> <ol style="list-style-type: none"> 1. Fire stopping was not carried out correctly. 2. Breaches to the fire stopping where electrical intakes and water /cylinder feeds pass into the individual flats. 	<p>Add into current scope of works:</p> <ul style="list-style-type: none"> • Asbestos removal, • SVP replacement, • Ventilation decommissioning • Fire stopping. <p>This is estimated as a total cost of £1.12m* and will require access into every property in the block.</p>

	<p>3. Asbestos present in the shafts.</p> <p>While we have inadequate fire stopping in place, the waking watch will have to remain in place as fire risk mitigation.</p> <p>We considered addressing this matter in a later contract (once this project was completed) but this would mean our application for the entire project to the Building Safety Regulator, as per the new Building Safety Act, would not be approved unless this was addressed - therefore we could not proceed with the entire project.</p>	
<p>New ventilation Strategy required as the communal ventilation risers need to be decommissioned. This will come at an additional cost</p>	<p>Following investigation into the communal ventilation risers in the blocks, it is evident that the communal ventilation will need to be decommissioned.</p> <p>This will improve fire safety in the blocks and negate the need for ongoing routine cleaning and maintenance.</p> <p>When retrofitting improved air tightness, insulation and heating into properties, we must balance this with adequate ventilation or risk issues with damp, mould and condensation.</p>	<p>Individual mechanical ventilation units required for each.</p> <p>This will improve air distribution and limit heat loss. Providing extra comfort and reducing the risk of damp and mould.</p> <p>This will come at a total cost of approximately £1.368m*</p>
<p>Fire door replacement required:</p> <ul style="list-style-type: none"> ● Front entry doors ● Communal doors ● Loft hatches ● Electrical cupboards 	<p>Fire door replacements had been identified as part of regular fire risk assessments.</p> <p>We considered letting a separate contract for this work but Construction Design Management 2015 adds complexities to having two contractors on the same site.</p> <p>We considered addressing this matter in a later contract (once this project was completed) but this would mean our application for the entire project to the Building Safety Regulator, as per the new Building Safety Act, would not be approved unless this was addressed - therefore we could not proceed with the entire project.</p>	<p>Add fire doors into the scope of works of this contract rather than carry out as a separate project/contract to prevent delay.</p> <p>The value is approximately £1.540m* for all blocks.</p>
Inflation	In early 2022, indicative costs were estimated	Inflation has impacted all

	<p>for the entire project.</p> <p>Over the last two years we have experienced high inflation rates below are the figures for Construction Price Index over the last 2 years:</p> <p>January 2022 - 10.3% January 2023 - 2.2% January 2024 - 2.3%</p>	<p>budgets, with increased cost to materials and labour.</p> <p>The proposed work will still come within the approved budget.</p> <p>£3.05m</p>
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**the costs are subject to uplift for prelims, profits, overheads and framework charges*

4.0 Leaseholders

- 4.1 Leaseholders will be subject to service charge for elements of the works being carried out as part of this project.
- 4.2 Due to the restricted timeframes for carrying out elements of the works and remaining eligible for grant funding, Cabinet gave approval to direct award the contract using a compliant procurement framework. This avoided a lengthy procurement process and has enabled us to remain on target to deliver the works within the appointed time frame. It also meant that we could not carry out a full Section 20 consultation as required by law.
- 4.3 Section 20 of the Landlord and Tenant Act 1985 tells us how we must consult with leaseholders when carrying out works over a certain value. In February 2024, we were granted dispensation to section 20 statutory consultation by the First-tier Tribunal.
- 4.4 Even though the scope and cost of works has increased, there will be minimal impact on the leaseholders, for the following reasons:
- External Wall Insulation remediation is 100% funded from the Building Safety Fund.
 - Works to ventilations shafts are exempt leaseholder charges, as they are to rectify a defect in fire safety arrangements.
 - Leaseholder charges for SHDF funded works are capped.

5.0 Procurement and Contract Arrangements

- 5.1 This report recommends the letting of the main design and build contract for the completion of the project to Mears Ltd. The value of this contract is £35,670,850. This contract forms the main element of the tower block refurbishment and retrofit project.
- 5.2 The procurement strategy for this project is to direct award contracts via a compliant procurement framework. The rationale for this was to mitigate the risk of delays that can be caused by adopting an open procurement process. Delays in the project could have rendered us non compliant for the SHDF timescales, placing this funding at

risk. The frameworks used to procure the various contracts required for the delivery of this project have all been compliant with Public Contract Regulations.

5.3 Value for money can be demonstrated as we have confirmation from framework providers about compliance. The value of the main design and build contract is supported by a value for money report from our appointed cost consultant.

5.4 The various contract elements of the project are set out in the table below:

Supplier	Contract value	Contract Form	Contract awarded	Description of works in scope on contract
Potter Raper Ltd	£485,368	JCT Consultancy Agreement 2016	Yes	Range of consultancy services including: <ul style="list-style-type: none"> • Quantity Surveying • Clerk of Works • Building Surveyor • Employers Agent • Principal designer
Mears Ltd	£1,145,788	JCT Pre-Construction Services Agreement 2016	Yes	Investigative surveys to inform designs of all aspects of the project.
ECD Architects Ltd	£60,000	Formal Agreement for Building Regulations Principal Designer Services	Yes	Principal Designer Role for Building Safety Regulator
Mears Ltd	£2,161,613	JCT Minor Works with Contractors Design 2016	Yes	Supply and installation of High Heat Retention Storage Heaters
Mears Ltd	£493,897	JCT Pre-Construction Services Agreement 2016	Due 10 July 2024	A second PCSA to avoid delay to the progression of stage 4 designs and submission of the application to the Building Safety Regulator
Mears Ltd	£39,775,545	JCT Design and Build 2016	No	Refurbishment and retrofit of all aspects of the project - excluding heaters. Contract includes replacement: <ul style="list-style-type: none"> • EWI • Roof • Windows • Fire doors Refurbishment of: <ul style="list-style-type: none"> • Balconies Remediation of:

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|--|--|--|--|--|
| | | | | <ul style="list-style-type: none">• Ventilation shafts |
|--|--|--|--|--|

8. Alternative Options

- 8.1 This report provides an update about the overall projected cost of this project, which is estimated to be £40.34m. This overall cost reflects the budget approved as part of the revised HRA capital programme approved by council on 11 July 2024.
- 8.2 The report recommends the letting of a design and build contract to Mears Ltd for a contract value of £39,775,545. The value of this contract was previously estimated at £18.2m, and the reasons for the increased value are set out above. Cabinet previously approved this contract to the estimated value at the time of £18.2m. The additional funding required is included within the approved HRA capital programme.
- 8.3 The alternative option is to set an alternative limit on this element of the project. This is not however recommended, for the following reasons:
- Considerable work has been completed by officers, the council's consultants and Mears Ltd to value engineer the project and include only essential elements of work.
 - Deferring any elements of work that are scaffolding dependent would ultimately increase cost, due to the high cost of scaffolding high rise buildings.
 - Any reduction in the scope of safety critical works would potentially lead to the Building Safety Regulator not approving the technical design. Since the introduction of the Building Safety Act 2022, the Health and Safety Executive is the determining and enforcing authority for building control in respect of all high rise buildings.
 - Not completing safety critical works would mean that the council could not stand down the current waking watch service, in place in these blocks, which would have a significant impact on the revenue position of the HRA Business Plan.
 - Not proceeding with the decarbonisation and building safety elements of the project would risk the council losing the external funding that has been secured.

9. Consultation

- 9.1 The council has an obligation to consult leaseholders when we carry out major works that they will be charged for. It is section 20 of the Landlord and Tenant Act 1985 which stipulated this.
- 9.2 Due to the restricted timescales and procurement strategy, we knew we could not fulfil the obligations of the section 20 consultation. Therefore we applied to the First-tier Tribunal for dispensation, which was granted in February 2024.
- 9.3 Consultation was completed with residents in the five blocks about the exterior designs prior to the submission of planning applications. Statutory planning consultation was also completed by the council's Planning Service, prior to the determination of applications.

9.4 This report has been considered by the council's Overview and Scrutiny Panel at its meeting on 16 July 2024 and Cabinet members will be updated in respect of any recommendations made by the panel.

10. Corporate Implications

10.1 Finance and Resources

10.1.1 The total estimated cost of this project, as per the proposed scope of works, is £40.34m, which is in line with the revised HRA Capital Programme, as approved by Council at its meeting on 11 July 2024.

10.1.2 The increase in costs set out in this report will be largely met by external funding, but there is an overall contribution to the project from the council's HRA capital programme of £11.74m. A breakdown of spend to date and projected spend, against the original and current budgets is in 10.1.3 and 10.1.4 respectively:

10.1.3 Original approved budget:

Year	BSF	SHDF	HRA Capital	Total
2023/24	1,043,000	798,000	659,000	2,500,000
2024/25	7,222,000	2,131,000	1,303,000	10,656,000
2025/26	3,236,000	1,321,000	2,046,000	6,603,000
2026/27			3,000,000	3,000,000
Total	11,501,000	4,250,000	7,008,000	22,759,000

10.1.4 Cost projections against current approved budget:

Year	BSF	SHDF	Major Repairs Reserve	Total
2023/24 (Actual)	213,175	1,587,070	773,288	2,573,533
2024/25	9,616,827	2,662,930	5,270,231	17,549,988
2025/26	14,525,242	0	2,846,101	17,371,343
2026/27	0	0	2,848,718	2,848,718
Total	24,355,244	4,250,000	11,738,338	40,343,582

10.1.5 This means the overall increases in costs from the originally approved project are:

	BSF	SHDF	Major Repairs Reserve	Total
Total	12,854,244	0	4,730,338	17,584,582

The revised 4 year HRA Capital Programme was approved by Council at its meeting on 11 July.

10.2 Legal and Constitutional

10.2.1 In accordance with the provisions set out in Article 6 of the Council's constitution the Overview and Scrutiny Panel may make reports or recommendations to Cabinet in respect of the discharge of any function. Cabinet must then consider and respond to any recommendations made.

10.2.2 Cabinet is being asked to agree to extend the scope of the works agreed in a report to cabinet in March of last year in respect of the refurbishment of the Council's tower blocks. The additional work is urgent work and includes emergency health and safety work. This supports the council to meet its duties as a social landlord and under relevant legislation. The work also supports the Council's ambitions to achieve net zero and is consistent with the provisions of climate change legislation.

10.2.3 The Council is under a duty to secure best value and must comply with procurement regulations as well as Council's own standing orders in relation to the award of any contract. From the detail contained within this report it is not possible to confirm compliance in these regards.

10.2.4 As referenced in the body of this report, there is a statutory duty to consult residents where any one lease holder's service charge will exceed £250. Due to the urgent nature of these works an application was successful in the first tier property tribunal and a dispensation was awarded to the Council in respect of the duty to consult.

10.2.5 In accordance with the provisions of Part 3 of the Council's constitution as well as the financial procedure rules, cabinet can approve the additional funding provided this is available within the approved budget framework. It is for Full Council to make all decisions in respect of requests for funding that sit outside of the budget framework and the necessary approval was sought from Full Council at its meeting on the 11 July 2024.

10.3 Council Policies and Priorities

10.3.1 This report relates to the following corporate priorities: -

- To deliver the housing we need
- To protect our environment

10.4 Risk

10.4.1 Fire safety in High Rise Residential Buildings (HRRB) has been reformed by the Building Safety Act 2023. The introduction of the act means that we are held to account for building defects by the Building Safety Regulator (BSR).

- 10.4.2 To inform our ventilation strategy, we commissioned inspections into the communal ventilation shafts, which run up the centre of all blocks, providing communal ventilation. The inspections have identified that they do not have adequate fire stopping and fire stopping has been breached at access points for services. We have informed the BSR and Kent Fire and Rescue Service of the findings
- 10.4.3 We had to carry out a fire risk assessment, which has allowed 6 months to remediate the hazard. We must do everything we can to remediate as quickly as possible to ensure the safety of our residents.
- 10.4.4 Waking watch is present at all blocks. The waking watch gives adequate mitigation to enable the blocks to remain in occupation.
- 10.4.5 The replacement of fire doors has also been added to the scope of works. This fire safety measure has been added into this contract to expedite the replacement of fire doors and to not introduce complexity of having two contractors on site at one time when considering Construction Design Management Regulations 2015.
- 10.4.6 There is significant reputational risk in not delivering works for which we have been awarded grant funding for and our residents will be dissatisfied as the project is due to bring many benefits for them, including: increased home comfort, lower energy consumption and building improvements that will increase pride in their home. watch is present at all blocks.
- 1.4.7 There is a risk of additional unforeseen works being required. We have however completed extensive structure and mechanical and electrical surveys to reduce this risk. Other than unforeseen works the main design and build contract is a fixed price contract, reducing further the risk of project cost overruns.
- 10.4.7 There is a risk of dissatisfaction as the works will bring with it significant disruption to the residents. This is being mitigated by a robust communications and resident engagement plan, two Resident Liaison Officers (RLO's) dedicated to the project and face to face on site events.
- 10.4.8 There is a risk in relation to the Building Safety Funding. Homes England have given in principle approval for a 100% grant to cover the costs of the external wall insulation and already released payment of the pre-works tranche of the funding. Homes England do however still need to formally confirm agreement to the value of the works tranche of the funding.
- 10.4.9 The financial risks include loss of value in the money already spent if the project is not completed.

10.5 Climate Change and Biodiversity

- 10.5.1 The project has been awarded Social Housing Decarbonisation Funding to reduce carbon emissions from council owned residential properties. We are using the funding to install energy efficiency measures in 5 of the 6 council owned tower blocks, that will meet the climate change acts targets.

10.5.2 To support climate change, the principal contractor will:

- Choose responsible suppliers.
- Dispose of waste responsibly and find ways to recycle waste materials.
- Use local labour.
- Subcontract to local businesses

11. Equality, Equity and Diversity Implications

11.1 The council's tenants and leaseholders include residents that have protected characteristics as set out in the Public Sector Equality Duty. The work carried out through the delivery of the proposals in these reports will seek to improve the homes for all residents, including those with protected characteristics.

12. Crime and Disorder Implications and Community impact

12.1 The work will transform the exterior of the blocks with the replacement of the external wall system and refurbishment of the balconies. The residents were given the opportunity to choose the colour and design of the blocks through a consultation. Over 40% of residents engaged in the consultation and therefore will have played a part in how their block will look.

12.2 With the improvements provided and 40% of residents taking part in consultation, we are hopeful that they will be pleased with the end result, taking pride in where they live. It is known that areas that look clean and well kept attract less antisocial behaviours such as fly tipping, littering and graffiti.

Subject History

Approval was obtained by Cabinet on 2 March 2023 to proceed with this project at a lower value.

[Link to the cabinet report, minutes, decision](#)

Appendices

None

Background Papers

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Report Sign Off / Signed off by / Date sent / Date signed off / Initials

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