


LONDON BOROUGH OF CAMDEN	WARDS: Belsize
REPORT TITLE Award of Works Contract for the Chalcots Replacement Cladding and Curtain Wall (SC/2019/25)	
REPORT OF Director of Property Management	
FOR SUBMISSION TO The Leader of the Council	DATE 8 th January 2019
SUMMARY OF REPORT This report seeks approval for the award of the contract for the replacement of the cladding and curtain wall to the five tower blocks on the Chalcots estate, which includes all associated works required to the blocks. The award to Wates Living Space Ltd is based upon their submission being the most economically advantageous tender in respect of the criteria set out in the Invitation to Tender. The Council's cost consultants, Arcadis, have completed a price evaluation and they have confirmed that the award of this contract does achieve value for money. As is normal in 'design and build' contracts the specification of the works is not fully agreed until the detailed design process has been completed. Any decisions related to the final design of the works will be agreed by the Director of Property Management. To help fund the work the Council has secured £80.6m from the Government's cladding remediation fund. This funding will contribute to the cost of the work to remove and replace the cladding and the curtain wall along with associated professional fees. The report is coming to the Leader as an urgent item as the Council needs to make progress in relation to the detailed design of the cladding and curtain wall prior to materials being ordered and work starting on site. Local Government Act 1972 – Access to Information No documents that require listing have been used in the preparation of this report. Contact Officer: Pat O'Neill, 5 Pancras Square, N1C 4AG, 020 7974 3264, pat.o'neill@camden.gov.uk	

RECOMMENDATION

- (i) To approve the award of the contract to Wates Living Space Ltd.
- (ii) to agree that, in line with the agreement of the Chair of the Housing Scrutiny Committee, the above decision be exempt from call-in on grounds of urgency.

Signed: 

Date: 28th December 2018

1. CONTEXT AND BACKGROUND

- 1.1 This report seeks approval for the award of the contract for the replacement of the cladding and curtain wall including all associated works to the five tower blocks on the Chalcots Estate. The overall contract period is 124 weeks, this is the total end to end time including the detailed design and mobilisation process. The award to Wates Living Space Ltd is based upon their submission being the most economically advantageous tender in respect of the criteria set out in the Invitation to Tender and representing value for money as assessed by the Council's cost consultants.
- 1.2 In June 2017, the Ministry of Housing, Communities and Local Government (MHCLG), and the Building Research Establishment (BRE) introduced a programme of testing of various cladding systems. Camden promptly undertook investigations and identified that the outer tile of the cladding system on the five Chalcots Estate blocks in Camden was an aluminium composite material (ACM) that required testing. The Council immediately committed to removing the cladding system from all five blocks as soon as the BRE indicated that the tile had failed their tests. The removal was completed by January 2018. The Council has committed to a full-scale independent system test of the replacement cladding system, and information as to the outcome of the test will be made available to residents.
- 1.3 In March 2018 officers reported to Cabinet the initial advice received from consulting engineer's on the specification and scope of the work required at the Chalcot Estate, (SC/2018/27). At that time the cost of the works was estimated to be between £50m-£56m. Since March, the Council has progressed the scope of the project with its engineers and fire safety advisors. This has established the specification for an A1 fire rated system and identified further works that need to be addressed, for example replacement of the brickwork at the ground and first floor level and replacement of the roof parapets and coverings. In parallel with the engineering analysis, the Council has been revising its assessment of the project scope and specification, discussed in section three of this report. The price of the initial tender received from Wates Living Spaces Ltd is £89,686,688.20, the final price may alter pending the final detailed design phase of the tendering process.
- 1.4 The safety of residents continues to be the priority when considering all works required at the Chalcots Estate. The Council continues to work with the Ministry of Housing, Communities and Local Government (MHCLG) to ensure we are providing a high safety standard to our residents, as well as sharing our experience and contributing to the national discussion on legislative change.

2. PROPOSAL AND REASONS

- 2.1 This report is necessary as Contract Standing Orders specifies that the contract award for all proposed capital contracts in excess of £10,000,000 should be approved by Cabinet. The Constitution of the Council allows the Leader to make any decision which the full Cabinet may otherwise make.

- 2.2 The report is coming to the Leader as an urgent item as the Council needs to make progress in relation to the detailed design of the cladding and curtain wall prior to materials being ordered and work starting on site. Due to this urgency, it is proposed that, subject to the agreement of the Chair of the Housing Scrutiny Committee, that this decision is exempt from the call-in process. This will enable contract award to take place, should this report be approved, on the next working day.
- 2.3 The works procurement strategy was approved by the Cabinet in January 2018 (Replacement of the cladding for the five blocks at the Chalcots Estate SC/2018/07).
- 2.4 As part of the approved procurement strategy, the Council elected to carry out a tendering process using a framework agreement set up by Fusion 21 (Property Retrofit Framework - Lot 5 Cladding – thermal performance improvements). A framework agreement is an established approach to procurement whereby a number of suitable suppliers that have been assessed for a particular discipline, in this case cladding replacement, are available to tender for works. The procurement strategy also determined that tenders would be evaluated using a 60% price and 40% quality ratio.
- 2.5 In terms of process, a market engagement meeting was hosted by Camden with twelve of the suppliers in Lot 5 of the Fusion 21 framework, all of which were invited to tender. This resulted in ten suppliers expressing an interest in the contract. A full mid-tender briefing was held with the tenderers on the framework where the Council explained the scope of the contract. At the conclusion of this process the Council is in a position to award a contract to Wates Living Space Ltd.

3. SCOPE OF THE WORKS

- 3.1 The blocks have had the aluminium composite cladding (ACM) removed following recommendations by Ministry of Housing, Communities and Local Government (MHCLG) on fire protection in high rise property and tests by BRE confirming that the cladding was not compliant with Building Regulations Part B (fire protection). Investigations carried out during the removal of the cladding and detailed design identified that the standard of workmanship within the curtain wall assembly is variable across all of the blocks. The most significant observations relate to structural fixing irregularities, failed hardware to window systems and the presence of non-regulatory material behind fixing brackets and spandrel panels. The entire external secondary envelope of the buildings must therefore be replaced.
- 3.2 The Council has assessed a number of options for replacement and has determined to ensure that the highest rated system in terms of fire protection (A1) is installed. The A1 system is comprised of fully inert components, meaning they resist the surface spread of flame, and will be tested in accordance with BS 8414 to validate designed compliance. This is a full-system test, similar to that used by the BRE in Summer 2017, and the Council has committed to make these results public.

- 3.3 The cladding system will be assembled using anodised solid aluminium panels fitted to structural rails fixed directly to the concrete structure. The system will include inert (Rockwool) insulation, which is also resistant to fire, and will have fully integrated fire barriers installed vertically and horizontally at all fire compartment lines. A rigid quality assurance (QA) procedure will be enacted to ensure that the installation is checked and certified as being fully compliant. The Council has been advised by specialist consulting engineers in both the design of the system and in materials selection to ensure that the cladding meets A1 criteria. The engineers will also be part of the quality assurance team.
- 3.4 A mock-up of the cladding system was erected at Swiss Cottage Library to demonstrate the system to residents. Resident feedback has been positive with the recognition that for safety an A1 system should be installed.
- 3.5 The curtain wall (including windows) has been designed using the same criteria and to compliment the cladding and provide an integrated fire rated envelope to the blocks. The windows will be removed in a controlled manner using a temporary protective screen within flats to ensure resident safety. The further detail of this installation process will be discussed with residents once the contractor is appointed.
- 3.6 The ground and first floors of the blocks are clad in brickwork. Investigation during cladding removal identified concerns with the integrity of the cavity between the brick and concrete elements of the structure. The brickwork will be replaced and brought up to required standards.
- 3.7 The cladding wraps over the roof parapets and the roof coverings will also be replaced to ensure weatherproofing of the roof and cladding.

4. OPTIONS APPRAISAL

- 4.1 Option 1 – award the contract to the highest scoring tenderer.

The Council has invited tenders via an OJEU compliant framework and is in a position to accept a tender that meets the thresholds within the quality assessment and the value for money assessment carried out by the Council's cost consultants.

- 4.2 Option 2 – do not award the contract and repeat the tender exercise.

This option is not recommended as the Council is able to award the contract to a supplier that meets the Council's quality requirements and passed the value for money assessment.

- 4.3 Option 3 – do nothing. This option is not recommended because the Council is require to replace the cladding and curtain wall system at the Chalcots.

The recommendation is to approve Option 1 and agree the award of the works contract to Wates Living Space Ltd. This is based upon their submission being

the most economically advantageous tender in respect of the criteria set out in the Invitation to Tender.

5. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

5.1 The following table summarises any key impacts / risks and how they will be addressed.

Risk / Impact	Mitigation
Performance risk	The contract documentation is clear in setting out ownership of relevant responsibilities. Some further work is required during the detailed design process to finalise costs and performance criteria, which is standard for this type of contract.
Programme delays	Programme to be closely monitored with relevant stakeholders to ensure that critical decisions are met on time, this will be fully managed by a strong project management team through a strict change control process.
Cost control	All costs and budget will closely monitored by the project manager and supported by the cost consultants. This will be overseen by the project management team through a strict change control process.
Quality risk	A robust quality control and monitoring system relating to all aspects of the work will be implemented and supported by the Council and its employers agents. An IT system has been offered by the contractor which provides photographic evidence at each stage of the works, which will be checked and signed off by designated Clerk of Works, and Building Control.
Public relations and stakeholder engagement	The team will ensure building occupants and local residents/businesses are kept informed of unexpected events such as extended working hours, noisy work etc. The Contractor will provide two resident liaison officers per block, who will work closely with residents and Council officers to ensure communications are effective.

6. LINKS TO OUR CAMDEN PLAN

6.1 Our Camden Plan sets out how the Council will respond to the vision of our community, set out in Camden 2025. Improving housing conditions is core to reducing inequality and the replacement of the cladding and curtain wall system at the Chalcots supports this work.

6.2 The contractor will provide a dedicated Chalcots community team who will provide customer care and resident liaison with a team of 10 officers and one manager. In conjunction with Council support staff, the dedicated team will start

immediately after contracts are signed and work with all residents to identify issues and offer support.

- 6.3 The contractor has set out how they will maximise local and economic benefits for the residents of Camden. A dedicated manager will maximise the use of local businesses and labour. The tender return details a committed to deliver 15 apprenticeships in the trades of cladding and window installation, with an additional 3 higher level graduate schemes in areas such as contract management and surveying. Recruitment will start within a few weeks of the contract being signed. A programme of National Vocational Qualification training will also be made available for any interested residents.
- 6.4 A requirement for the contractor to pay London Living Wage is a requirement of the tender. Wates have confirmed they will comply with this requirement.

7. CONSULTATION/ENGAGEMENT

- 7.1 The Council has committed to ensuring a fair and transparent process in decisions made regarding the Chalcots Estate. Engagement has taken place with residents across the estate and in the local neighbourhood to consider the replacement cladding and window options. We have continued to use feedback from residents to shape our decision making going forward. We will engage residents on the progress of works as well as the process of informing any further recommended decisions as required. Once the contractor is appointed further engagement will take place with all residents to consider the final stage design and implementation of the works across all five blocks.
- 7.2 A resident presentation assessment was included as part of the tender assessment quality process. One nominated resident representing each of the five blocks was present to ask questions and score the on the proposed approach. This ensured that the resident concerns and needs were immediately highlighted and detailed proposals have already been considered to ensure the least disruption to residents during the programme of works.
- 7.3 A full planning consultation process has already been underway with amendments as required to ensure the build approach and materials are shared prior to council authorisation. This has included the display of multiple site notices around each tower block and on neighbouring streets to notify residents that an application has been submitted. Relevant press notices have been published in the Ham and High. Local amenity groups included relevant Conservation Area Advisory Committees have and will continue to be notified, given the site's proximity to the Conservation Area and the nature of the works. The planning department are required by law to allow a minimum of 21 days for people to make comments on the proposals. The next amendment planning submission and consultation to take into account the final stage design will take place February to April 2019.

8. LEGAL IMPLICATIONS

- 8.1 The proposed contract with Wates Living Space Ltd has been procured by means of a mini competition held amongst contractors on the Fusion 21 Framework Agreement- Lot 5 Cladding – Thermal Performance Improvement who expressed an interest in tendering for the contract. The Framework Agreement was procured in accordance with OJEU requirements, and thus calling off a contract by means of a mini competition complies with EU procurement legislation. It also fulfils the requirement in CSOs to competitively tender contracts of this value.
- 8.2 Wates' tender was evaluated in accordance with the criteria in the ITT, and was the most economically advantageous. As such, it may be awarded to them.
- 8.3 The Constitution of the Council provides that the Leader of the Council may take the decision to award.

9. RESOURCE IMPLICATIONS

- 9.1 In January 2018, Cabinet approved the decision to use solid aluminium panel system as the preferred option for the cladding replacement solution across the five blocks on the Chalcots Estate, and to use the Fusion 21 procurement framework to procure the works. The estimated cost for the new cladding at the time was £22m, including £6m of builders' work.
- 9.2 A second report was taken to Cabinet in March 2018, to extend the scope of works to full replacement of the curtain wall system estimated to cost a further £31m. Additionally, the estimate for recladding works at the time increased by £3m to £25m, bringing the full estimate to replace the cladding and the curtain wall on each of the buildings to an estimated £56m.
- 9.3 The tender for the main works detailed in this report is priced at £89,686,688.20, although this may alter after the final detailed design phase of the tender negotiations. The increase in price between the estimates in March 2018 of £56m and the current tender price are driven largely by an increase in the scope and specification of the required works that developed during the removal of the original cladding system and subsequent surveys of the building, as detailed in section three of this report.
- 9.4 The cost of the contract detailed in this report will be met from the Council's Housing Capital Programme. The Council has been successful in bidding for funding of £80.6m from the Government's Cladding Remediation Fund and this will be used to part fund the contract. The agreed funding will be subject to audit by the government and must be used to fund specific activities put forward by the Council in its bid for funding. A summary of the main works contract prices and the funding from the Cladding Remediation fund is shown in the table below;

	Tender Prices	Cladding Remuneration Fund	Required Council funding
Main contract (New Cladding, Brick Work and Curtain Wall)	£89.69m	£63.50m	£26.19m

As shown in the table the Council will be able to apply £63.5m of the cladding remediation funding to the main works contract detailed in this report leaving an additional £26.9m to be funded from other Council resources.

- 9.5 The additional £17.1m from the Cladding Remediation Fund (£80.6m - £63.5m) is to cover the cost of removing the original cladding, professional fees and a project contingency. Once the actual cost of all of these elements of the project are known any required funding above the £17.1m will be identified and included in the next iteration of the Council's capital programme.
- 9.6 Money from the Cladding Remediation Fund is expected to be paid to the Council on the signing of the contract to replace the cladding on the buildings. The Government have agreed to pay 80% of the cost of the removal and replacement of the cladding on the signing of the main contract with the remaining 20% of the funding paid on completion of the work. The funding agreement allows Government appointed auditors to audit the final works to confirm the money was spent in line with the funding agreement.
- 9.7 Due to the inherent risk associated with a project of this size and scope a programme wide contingency budget will be established at the next First Capital Review to help manage the risk of any currently unknown costs. The exact level of the contingency will be reviewed at various stages of the project but will equate to approximately 15%-20% of the whole contract price. £3.8m of the cladding remediation funding is available to fund contingencies on the main building works, any remaining contingency budgets will be met from Council resources.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 The proposed contract start date is February 2019. The overall programme duration is 124 weeks, the actual start of works being determined by the detailed design process and the full system fire test of the proposed cladding system.

11. APPENDICES

- 11.1 Confidential Part II appendix containing information the price and quality assessment.

REPORT ENDS