

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Strategic Director for the Economy

Date: 13/05/2021

Subject: Modification of Demolition Contract and Consultancy contract in respect of demolition of Hartopp Point and Lannoy Point

Report author: Mo Goudah, Regeneration Manager

SUMMARY

This report seeks approval to vary the contract for the demolition of Hartopp Point and Lannoy Point ("Demolition") to include additional construction enabling works, to facilitate the planned redevelopment of the site. These works will follow conclusion of the Demolition.

The report also seeks approval to vary the consultancy contract (for project management, cost consultancy and employer's agent services) that the Council has, in respect of the Demolition. This will account for the additional construction enabling works needed.

The demolition of the blocks has progressed well with no recourse to the contingency fund, creating an opportunity to include some construction enabling works/ site remediation works within the demolition project so as to speed the delivery of genuinely affordable homes on the site as soon as practically possible.

RECOMMENDATIONS

1. That Appendix 1 to this report be exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under Paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
2. Approves the variation of the demolition contract in relation to Hartopp and Lannoy Points with CNC Group Holdings Limited (trading as Coleman Group) to include additional construction enabling / site remediation works (as outlined in Appendix 1) up to the value of £392,674, so that the total value of the Contract is £3,042,456, extending the contract by about 11 weeks.

3. Approves the variation of the contract for the provision of project management and contract administration services in relation to Hartopp and Lannoy Points demolition with Lambert Smith Hampton Group Ltd (trading as Ikon), so that the fixed sum of £119,865 is increased by up to £28,000 to account for the supervision of the additional construction enabling works under the proposed variation of the demolition contract (as outlined in Appendix 1).
4. Approves, now that the demolition is nearing completion, the remaining demolition approved budget of £123,001 is classified as a “contingency budget” for the demolition project and delegates authority to the Strategic Head of Regeneration & Development to take decisions on expenditure for the demolition contract and any other demolition project spend against this contingency sum.

Wards Affected: Munster Ward

Our Values	Summary of how this report aligns to the H&F Values
<i>Building shared prosperity</i>	<i>The redevelopment of the site, for which the proposed additional enabling work are required, will significantly enhance the local area and provide much needed genuinely affordable homes.</i>
<i>Creating a compassionate council</i>	<i>Safety and welfare of resident was the primary reason for the demolition of the blocks on Health and Safety grounds following detailed and intrusive surveys that identified structural and fire safety issues.</i>
<i>Doing things with local residents, not to them</i>	<i>Detailed consultations were undertaken before the decision to demolish which was supported by the vast majority of residents who participated. And local residents will actively be involved in the design of the redevelopment.</i>
<i>Being ruthlessly financially efficient</i>	<i>The use of a demolition contractor as opposed to a construction contractor for construction enabling works and site decontamination offers both significant financial and project efficiencies.</i>

Financial Impact

Demolition of Hartopp and Lannoy Points - Financial position

The HRA Capital Programme 2019/20–2022/23 budget of £3.5m approved by Cabinet on 1 July 2019 includes a budget allowance for this scheme which is sufficient for the proposed contract value.

Of the total £3.5m budget, the variation of the demolition contract proposed here will take the total contract value to £3,042,456. This is an increase of £392,674 which is within the contingency drawdown of £450,000 set aside in the original contract award

report of 6 March 2020 submitted to the Strategic Director for the Economy. The demolition contract spend to 20th April 2021 with CNC Group Holdings Ltd is £1,791,384. Therefore, there remains a further £1,251,072 of the proposed contract value.

The proposed contract value for project management and contract administration services will total £147,865 with the additional £28,000 requested above. Contract spend to 20th April 2021 with Lambert Smith Hampton (LSH) Group Ltd is £120,809. Therefore, there remains a further £27,056 of the proposed contract value.

Of the remaining £309,679 budget not allocated to the two main contracts above, £186,677 has been spent or committed to date on other project costs. This leaves £123,001 remaining to form the re-classified “contingency budget”.

CNC Group Holdings and Lambert Smith Hampton - Credit ratings

A credit search was carried out on 15th April 2021 on CNC Group Holdings Ltd. Although the credit score was 29 with CreditSafe (below the usual threshold of 50), the company passes most of the other financial criteria. For example, turnover for the most recent financial year on CreditSafe is £23.6m, which is considerably greater than twice the remaining contract value of £1.251m.

It is recommended that CNC Group Holdings is allowed to continue due to the disruption that would be caused by tendering for a new demolition contractor at this stage in the works but that extra attention is paid towards contract management procedures, such as ensuring that payments are only made for work completed. It should be noted that the existing contract performance has been satisfactory to date.

A credit search was carried out on 16th April 2021 on LSH Group Ltd. Although the credit score was also 29 with CreditSafe (below the usual threshold of 50), the company passes most of the other financial criteria. For example, turnover for the most recent financial year on CreditSafe is £90.4m, which far exceeds the remaining contract value of £27,056.

It is recommended that LSH is allowed to continue due to the small amount of the proposed contract extension and the disruption that would be caused by tendering for a new project management contract at this stage in the works.

Implications completed by: Nicholas Falcone, SLT Finance Trainee (Economy), Tel: 07776 672 546

Implications verified by: Andrew Lord, Head of Strategic Planning and Monitoring, Tel: 020 8753 2531

Legal Implications

1. This report deals with modifications to the existing demolition and consultancy contracts for the demolition of the two tower blocks Hartopp Point and Lannoy Point.
2. The contract value of the Demolition contract is below the threshold for works under the Public Contracts Regulations 2015 (‘PCR’). The contract value of the Ikon contract for contract administration services is below the threshold for services under the PCR.

3. Therefore the PCR does not apply in full, but in accordance with the Council's Contract Standing Orders ("CSOs"), the provisions of CSO 24.3.1 have to be applied concerning contract variations. CSO 24.3.1 provides that the following grounds for variation must be made out:
 - a. The type of modification must be allowed for in the contract
 - b. the cumulative value of the modifications plus any previous modifications must not increase the total contract value so that the new contract value exceeds the relevant thresholds for either works or services.
 - c. That, in the case of works contracts, the increase is covered by an authorised contingency sum.
4. The three items above have been checked for the Demolition contract, and (a) and (b) for the Ikon Contract. This therefore fulfils the requirements for modifications to below threshold high value works contracts (i.e. the Demolition contract) and medium value contracts (i.e. the Ikon Contract) under CSO 24.3 of the CSOs.
5. In accordance with CSO 24.3.2, on the basis that the proposed change in value for the works contract is more than 10% of the original contract value for the works contract, the decision maker is the relevant SLT Member in consultation with the relevant Cabinet Member. (This does not apply to the IKON contract; it only relates to works contracts).
6. The service area is recommended to capture these two contract variations in formal agreements.

Legal implications completed by Harry Forsythe, Solicitor (New Zealand Qualified), Sharpe Pritchard LLP, on secondment to the Council, hforsythe@sharpepritchard.co.uk

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Background Papers Used in Preparing This Report – None

DETAILED ANALYSIS

Proposals and Analysis of Options for Demolition Contract

1. Following extensive and intrusive surveys that identified significant fire safety and structural issues in Hartopp Point and Lannoy Point, the Council consulted in Feb 2019 with residents about available options including refurbishment and demolition. Residents overwhelmingly selected demolition as their preferred option which Cabinet endorsed in April 2019.
2. By February 2020, all residents of the blocks were relocated, and leasehold properties acquired following a successful granting of a Compulsory Purchase Order with no standing objection.
3. Following competitive procurements the council awarded CNC Group Holdings Limited, trading under the Coleman Group, the contract to demolish the blocks for a total contract sum of £2,649,782.20 and a contract for provision of Employer's Agent/Project Management and core professional services to Lambert Smith Hampton Group Limited for a total sum of £119,865.

Proposal

4. The demolition project has progressed well and is near completion within the contract sum and with no recourse to the contingency budget. This is despite some technical, sub-contractor issues as well as being undertaken wholly during partial or full lockdown. The project is scheduled to be completed and site handed back to the council in April 2021.
5. Design work on the redevelopment of the site has recently commenced with the appointment of a lead architect/design team. The redevelopment has an ambitious aim of developing design options, engaging and coproducing with residents before applying for and receiving a planning permission in early 2022.
6. This very ambitious schedule to redevelop the site and deliver the much-needed genuinely affordable homes as soon as practically possible requires incorporating construction enabling works into the demolition stage to help meet redevelopment's timeline target.
7. Further incorporating remedial, decontamination and site preparatory works into the demolition would offer significant financial efficiency as the works will be carried out by a specialist demolition contractor as opposed to a construction contractor that would likely sub-contract the works, or major elements of the works, to a specialist contractor.
8. Carrying out these additional works now as opposed to leaving them for a construction contractor taking over the site would represent significant time and cost efficiencies as the construction contractor can commence construction

works without awaiting site preparation and decontamination works to be concluded.

Option 1 – Do Nothing (not recommended)

9. Not proceeding with this decision would mean either not proceeding with the development or postponing the construction enabling works to the construction contractor.
10. Not proceeding with the development would mean leaving a significant part of a council estate hoarded off as a 'demolition site' in perpetuity and would not be in line with the underlying justifications for the use of the Compulsory Purchase Order that committed the council to re-provide housing on site.
11. Leaving the site undeveloped would also increase risks associated with a hoarded site in a council estate that could be subject to trespass, fly tipping and other anti-social behaviours and would require permanent security measures to be in place in perpetuity.
12. Not developing the site would also not be in line with the Council's commitment to delivering the redevelopment and would result in no re-provision of much needed genuinely affordable housing in the Borough.

Option 2 – Postpone the works to the construction contractor (not recommended)

13. This option would result in construction enabling site remedial works and preparatory works being postponed and completed by the construction contractor that will be appointed following the grant of Planning Permission.
14. As the works are need for any development on site, this would mean that the construction contractor will be required to carry out these works before commencing actual construction on site.
15. Postponing these works would unnecessarily delay commencement of construction on site with no discernible benefit.
16. Carrying out remedial works before procurement of a construction contractor offers significant financial value for money as it would reduce assumed risk a contractor would account for during the bidding. Further, remedial works to be carried out by the construction contractor may not offer the same value for money that can be achieved with a specialist demolition contractor as the construction contractor would likely sub-contract that element of works and add to its overhead and profit costs.

Option 3 – Procure a separate contractor through an end-to-end tender process through Capital E-Sourcing (not recommended)

17. Commencing a new tender exercise under either the Open, Restricted, Competitive Procedure with Negotiation or Competitive Dialogue procedures would require initiation of a separate construction enabling project on

conclusion of the demolition, add to internal costs, be time-consuming as it could take from 6 months to a year (depending on the procedure selected) but ultimately may guarantee lower cost.

18. This option would also require new procurement of professional consultancy services (i.e. to replace Ikon) to support the council on the additional works as the current provider of professional consultancy services' involvement will cease at the end of the demolition.

Option 4 – Approve proposed variations (recommended)

19. This is the preferred option as it provides current demolition contractor with responsibility over the site to carry out the remediations preparatory works before handing over the site to the council.
20. This option would also mean that information about the site necessary for the detailed design for the redevelopment will be obtained through surveys incorporated in construction enabling remediation works at an early stage without delaying the redevelopment of the site.
21. Importantly, this option would also mean that the demolition contractor would continue to occupy the site for an additional estimated 11 weeks and be responsible for site security thus removing the need for the council to maintain a safe and secure demolition site.
22. This option would also maintain the same professional services team (Ikon and their sub-contractors) that have supported the council on the demolition of the blocks.

Proposals and Options for Ikon Contract

23. On the basis that the Demolition Contract is varied to allow for the enabling works to be completed as part of the Demolition, it is proposed to vary the Ikon Contract to increase the fixed sum under that contract. This proposal is required because Ikon's services under that contract will be required as part of the Council's professional services team to support the enabling works. For similar reasons to the above, doing nothing is not an option because if the Ikon Contract lapses the Council would be required to procure a new professional services team or to take on the Consultant's role instead.

Reasons for Decision

24. The reasons and need for variations are to allow for construction enabling, preparatory and remediation works that are needed for the site to be redeveloped as set out in Cabinet report, dated 4th January 2021, "Hartopp Point & Lannoy Point Site - New Council Homes".
25. Adding the additional works to the existing Demolition Contract, with associated additional contract supervision from IKON offers the Council both value and project efficiencies and support the Council's programme to deliver genuinely affordable homes as soon as practically possible.

LIST OF APPENDICES

Exempt Appendix 1: Description of Enabling Works & Costs Breakdown
Appendix 2: Value for Money Comment