

VALUE FOR MONEY REPORT

RELATING TO

**B9525 – BREWSTER HOUSE & MALTING HOUSE STRUCTURAL
WORKS**

LONDON BOROUGH OF TOWER HAMLETS

AT

BREWSTER HOUSE & MALTING HOUSE

13TH JANUARY 2020

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1.0 Introduction

1.1 Location

The addresses for both blocks within the scheme are as follows: Malting House, Poplar, London E14 8BS and Brewster House, Poplar, London E14 8HU.

Both blocks are located within the London Borough of Tower Hamlets.

1.2 Description of the Works

The scope of work as set out in the tender documentation includes the following:

- Undertake structural strengthening works externally to the two blocks. This will involve drilling and inserting steel rods into the existing concrete floors to supplement the existing inadequate reinforcement.
- The steel rods are then tied into the block façade via an external connected steel frame. This ties the wall panels into the floor panels.
- Expose various floor and ceiling areas within flats; undertake structural strengthening works and reinstate finishes to the flats and externally.
- Removal of resident's belongings, furniture and finishes. Provision of daytime respite and decant facilities on an individual household assessed basis. Reinstatement upon the completion of the works.
- Main Contractor to engage a specialist structural contractor through a competitive tendering process.

1.3 Basis of Report

This report is based on the proposed costs received to date from the preferred contractor and is intended to analyse what has been priced by the contractor in relation to the works: specification, programme, scope, assumptions, exclusions and allocation and pricing of risk and how it is priced so far as possible given the information provided to us for review.

The following list of documents has been issued by Tower Hamlets and form the basis of this report:

1	Tender Issue Folder
1	ITT 21.12.18
2	Ancillary document PCG
3	BMS works price book 21.12.18
4	Structural performance specification 21.12.18
5	Drawing Issue sheet 13.12.18 WCC issue sheet
6	ITT information for clients
7	Local code of safe working practise
8	Preliminaries 21.12.18
9	Safeguarding policy V3 05.10.18
10	Schedule 1.3 - Performance Framework V2
11	Schedule 1.4 - Materials & Workmanship specification - External
12	Schedule 1.4 - Materials & Workmanship specification - Internal
13	Schedule 2 - Appendix 1 - Quality Statement Works V1 21.12.18
14	Schedule 2 - Form of Tender v1.1

2 Tender Return Folder	
1	Programme (Rev D)
2	Submission Cover Letter
3	Cost Movement Tracker
4	Payment Schedule
5	Bersche Rolt Submission zip
6	Cintec Submission zip
7	Preliminaries breakdown
8	Cintec Method Statement template
9	Appendix 1 - Quality / Method Statements
10	Appendix 8 - Freedom of Information Schedule
11	Signed Form of Tender
12	Subcontract authorisation form
13	Conflicts of interest declaration
14	Programme (Rev A)
15	Wates basis of offer (Clarifications)

3 Clarifications	
1	190410 - Brewster & Maltings Structural Works - Issued 11.04.19

4 Wates Framework Rates	
1	Wates Lot 1 Works

1.4 Limitations of Report

We have not been party to the tender process or any post tender discussions which have taken place between the submissions of the revised and original tenders.

2.0 Proposed Costs Summary

Current proposed costs as submitted by Wates are as set out in the table below:

SECTION	DESCRIPTION	TENDER SUM (£)	(%)
1	Preliminaries and site overheads	945,994.90	15%
2	Specialist structural works	3,753,656.30	60%
3	Main contractor works	255,880.80	4%
4	Full NHF Back Up Schedule of Rates	476,200.00	8%
5	Daywork	237,412.00	4%
6	Social values <i>(NB: error identified in breakdown)</i>	36,861.00	1%
7	Performance Bond	Excluded	
	<i>Sub-total</i>	<i>5,706,005.00</i>	
8	Combined Overheads & Profit Percentage	570,600.50	10%
	TOTAL	6,276,605.50	

Overall Cost per Unit if 112 = £56,041.12 as set out in tender documents*

Overall Cost per Unit if 84 = £74,721.49 as priced by Wates and Specialist*

** Please see separate comments below in relation to the number of properties Wates have included in their pricing submission.*

3.0 Cost Analysis

In the following section we have examined the costs proposed by the contractor against current market values as follows:

3.1 Preliminaries and site overheads

The Wates LOT 1 Framework rates do not contain Preliminary costs to serve as the basis for comparison to the Wates pricing submission. However having reviewed the pricing submission from Wates, generally the rates are in line with expectations for a project of this nature with our main observations recorded below.

- i) Portable refuge resident's accommodation (7) is entered as 75 weeks and not the revised 55 weeks. Similarly the items for Small Plant Tools (19) and Consumables (22) has maintained the original submitted programme length of 75 weeks. It is not clear how these items relate to the revised programme of 55 weeks. We recommend this should be queried with Wates and confirmation received as to why these items have not been adjusted to 55 weeks in line with the revised programme.
- ii) Scaffolding (9) is priced as a lump sum of £19,600.00. It is not clear how this relates to the Wates LOT 1 Framework rates for scaffolding as no quantity has been included within their pricing submission. On the separate Prelims Breakdown document submitted by Wates they have identified the £19,600.00 as being a scaffold adaption cost. Working on the assumption this is to be split equally over both of the high rise blocks we consider this to be a reasonable cost for scaffold adaption.
- iii) Additionally included for access to carry out the works under Preliminaries is the mast climber hire allowance (25), which has been allocated for a total of 204 weeks. It is not clear how this relates to the revised programme of 55 weeks. Within Section 3 of their pricing submission 'Clarifications' Wates have stated they have moved 8 mast climbers for 18 weeks to the separate EWI contract. Further clarification from Wates is required as to how the 204 weeks has been arrived at and whether this is sufficient to execute the scope of works. The mast hire rate of £256/week is acceptable however Wates will need to clarify the total mast hire allowance allowed for within their tender submission.
- iv) Logistics (26) has been included within the Prelims cost at a total of £76,890.00 or £1,398 a week based on the revised 55 week programme. It is not clear what this allowance is included for. Overall Project management as well as individual block Site Managers and Resident Liaison Officers have been included within the Management, Staff and Supervision (1) section of the Preliminaries. We recommend this is queried with Wates and confirmed what additional logistics costs have been allowed for.
- v) In the Wates 'Basis of Offer' letter forming part of their tender return, Wates have stated they have included for a full time out of hours site security guard. A lump sum allowance of £16,032.00 or £291.49 a week has been included within the Management, Staff and Supervision (1) costs under the heading Safety Department. Further clarification from Wates should be provided as an allowance of £291.49/week would not be sufficient to provide for a full time out of hours security guard. We recommend this is queried with Wates to confirm what the Safety Department provision allows for.
- vi) A number of discrepancies have been identified within the documents returned by Wates, in particular the 'Submission Cover 08.03.19' letter and the 'Basis of Offer 11.04.19' letter. An example of this is that the 'Submission Cover' letter states that no allowance has been made for Bunker Bins, however on the 'Basis of Offer' letter under point 8, Wates have confirmed they have included for 4 No. "Bunka Bin" type sleeping units.
- vii) Overall the Preliminaries cost submitted by Wates = £945,994.90. When divided by the revised programme length of 55 weeks as submitted by Wates this equates to £17,200/week. As a stand-alone contract we would consider this allowance to be at the upper range of acceptable however when viewed as a bolt on to an existing contract

3.2 Specialist structural works

As stated in item 1.10 of the Structural Performance Specification, Wates were to conduct a competitive tender between two specialist structural contractors with Tower Hamlets Home officers to oversee the competitive tender process.

From having a review of the i) Bersche-Rolt and ii) Cintec it does not appear both specialist contractors have strictly priced the works on a like for like basis, in that some items have been priced by one contractor but not by the other. In addition a number of queries were issued to Cintec from Wates as part of their tender analysis but we can't see any of the Cintec responses to these queries and how they have been resolved satisfactorily.

Wates have included a variety of allowances across this section of the pricing document in addition to the specialist structural contractor's pricing.

For example in relation to the erection of internal bedroom steel frames to each block, Wates have entered a rate of £7,283.22 for works to 2 bed properties.

This can be broken down as follows:

£4,723.54 – Bersche-Rolt tender submission
 £1,217.06 – Wates Asbestos refurbishment survey (see comments below)
 £1,097.62 – Penache quotation (see comments below)
£ 245.00 – Wates Provisional Sum (£200 unforeseen electrical works + £45 remove timber battens & ceiling)
£7,289.22 TOTAL

The asbestos refurbishment survey has been priced as a lump sum of £1,217.06 per flat. However when this is compared to Section 1 Asbestos Survey & Removal of the LOT 1 Wates Framework rates for similar works this appears to be overpriced by £45 per flat as the breakdown below:

Undertake an asbestos refurbishment and demolition survey to a typical dwelling. Include for testing and producing a survey report and asbestos management plan in the required format.	£108.85
Enclosures to Textured coatings to ceilings	£103.67
Removal of 5m2 of Textured coatings to ceilings	£205.65
Semi controlled enclosures to enable the removal of floor tiles	£207.32
Removal of 1m2 of ACM Floor Tiles	£11.22
10% of an Asbestos Skip	£79.25
1nr Air Monitoring Visit	£456.10
TOTAL as LOT 1 Wates Framework rates =	£1,172.06

For each block Wates have made reference to a quotation from Penache in relation to fire stopping steelwork. The total of the Penache quotation £50,490.50 has been divided by 46 and the pro-rate allowance of £1,097.62 has been included to build up the overall rate. The total number of properties within this section is 42 and the total number of properties within each block is 56. It is unclear why the Penache quotation has been divided by 46 and further clarification should be sought by Wates. No copy of the Penache quotation has been provided for review.

We believe the £245 Provisional Sum Allowances for unforeseen electrical works and removal of timber battens and ceiling is reasonable. However consideration should be given to how these potential works will be recorded and signed off within each property.

Note the rate for the same works to the 3 bed properties has been built up in a similar way, utilizing the enhanced Bersche-Rolt base rate for the larger property.

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Item 2 of the specialist structural works section for the erection of lobby cupboard steel frames has been priced at a rate of £5,632.38 per property, this includes £5,202.38 as put forward by Bersche-Rolt with an additional £430 per property included as a Provisional Sum Allowance by Wates to allow for protecting / isolating electrics and removing plasterboard. As before we would consider this to be a reasonable provisional allowance for these potential works but it will important to consider how these potential works will be recorded and agreed should they be required.

Item 3 of the specialist structural works section for the application of external reinforcement has been priced at a rate of £17,067.12 per property, this includes £12,567.12 as put forward by Bersche-Rolt with an additional £4,500 per property included as a Provisional Sum Allowance by Wates for all associated enabling works and re-instatement of Kitchen / Bathroom / WC / Living Room to a specification yet to be agreed. When compared against the LOT 1 framework rates for complete Kitchen renewal (averaged by size) = £3,452.13 and Bathroom Inc. WC = £1,267.11 provides a total of £4,719.24. As the level of reinstatement required will not be known until the structural work is complete we believe the £4,500 per property to be a suitably robust allowance. However it should be noted that the reinstatement specification is yet to be agreed and consideration to the parameters of the budget will need to be given when agreeing the reinstatement scope of works. It should also be noted there is a further allowance of £1,252.46 per property within Section 3 Main Contractor Works for reinstatement of dwelling upon completion of the structural works Inc. for framing, boxing, screeds, plastering, decoration and the like based on a total of 42nr properties per block.

Item 4 of the specialist structural works section for works to the flank wall floor slab has been priced at a rate of £14,529.83 per property. This rate is built up directly from the structural specialist's tender submission and includes a Provisional Allowance agreed with Wates and Bersche-Rolt of £307.64 per property for removing overspill. It should be noted this was specifically excluded from Bersche –Rolt's tender submission with the note stating no allowance has been made for removing overspill as not found within investigation works. We therefore assume this allowance is provisional and will be deducted from the rate should the removing overspill works not be required. This should be confirmed and agreed with Wates prior to entering into contract.

Item 5 of the specialist structural works section for installation of external steel frame has been priced at a rate of £4,855.13 per property. Wates have stated this is as per the Bersche-Rolt's quotation however the specialist sub-contractor's rate for the same has been entered £3,703.16 per property. Further clarification from Wates is required as to which is the appropriate rate to be used for this item of work.

Wates have further included additional costs of £30,000 for the specialist sub-contractor to provide a level of PI Insurance commensurate with their sub-contract value. No indication of this additional cost has been provided by Bersche-Rolt in their tender submission. Confirmation should be sought as to the level of PI cover currently in place for Bersche-Rolt.

An additional allowance of £21,263.29 per block has been included by Wates for the provision of Bersche-Rolt plant. However within the specialist sub-contractor's quotation an overall figure for both block of £33,005.71 has been inserted for site plant and transport (including associated labour and forklift) based on a 52 week programme. We would therefore request Wates clarify this item and confirm what the correct figure should be for the provision of plant and how this is broken down.

Wates have also adjusted a number of the quantities as set out in the tender issued pricing document. This should be carefully reviewed with Wates and the design team to ensure the correct quantities have been included for the works. The tender issued pricing document set out a total of 20 units for the 1 & 3 bed flats from Ground to 4th Floor for each block, however Wates have only allowed for 10 units to each block. Where the tender pricing document outlined 36 units for 2 bed flats to 5th -13th floor on each block this has been adjusted to 32 units by Wates.

Wates have also stated the Bersche-Rolt clarifications submitted with their tender submission form part of Wates' tender submission. There are a number of items within the Bersche-Rolt clarifications which the council's legal team will need to review and agree. Not limited to but in particular the item in relation to payment terms being 45 days will need to be reviewed and agreed as well as the statement that no allowance has been made for retention.

3.3 Main contractor works

Similarly to the Specialist sub-contractor works Wates have adjusted the quantities as set out in the tender pricing document. Where the tender pricing document indicated a total of 56 units per block Wates have adjusted their pricing based on only 42 units per block. Wates original submission was based on 46 units per block and it is not clear from the information available how they arrived at a revised total of 42 units. This should be carefully reviewed with Wates and the design team to ensure the correct quantities have been included for the works.

Wates have priced this section of the work in total as £255,880.80. Over 41% of the cost of this section is made up of Provisional Sum allowances which are at risk of re-measurement should the notional allowances be insufficient.

Wates have included a Provisional Sum allowance of £760 per property for moving tenant's belongings. As the extent of the works is unknown we do not consider this to be an unreasonable allowance however we would request Wates confirm how many labourers are included within this rate and for how many days. This will allow the rate to be used on a pro-rata basis.

Additionally Wates have included an allowance of £396.87 for taking up and reinstating existing floor finishes only and stated no allowance has been included for new floor finishes. Should the existing floor finish not be suitable for re-use once taken up this will be costed as a variation to the contract. It is not clear from Wates tender submission the quantity of floor finish which has been allowed to be taken up and reinstated. Wates have used a bespoke rate for the floor finish works which does not relate to their LOT 1 Framework rates.

Additional Provisional Sum allowances of £250 per property have been included for fire-stopping within dwellings and a separate £250 Provisional allowance per property for fire-stopping between dwellings. Each of these allowances is based on a notional 10nr penetrations per property not exceeding 0.15m² in area. We would view these allowances for fire-stopping to be appropriate and reasonable with consideration to be given to how these will be recorded and agreed on site.

3.4 Full NHF Back Up Schedule of Rates

This has been entered into their pricing submission as a total of £476,200.00 which we would consider to be high. Wates have entered their Contractor's percentage adjustment as -52.38%. This is in line with the LOT 1 Framework rates and the total is carried through to the Summary.

3.5 Daywork

This has been entered into their pricing submission as a total of £237,412.00 which we would consider to be high. Wates have included Daywork rates which we have reviewed and can confirm these are in line with the LOT 1 Framework rates and the total is carried through to the Summary.

3.6 Social values

Wates have priced for works to the low rise blocks adjacent to the site as required in the pricing document. The rates entered are bespoke and not comparable with the LOT 1 Framework rates. Generally the rates entered appear to be reasonable.

It has also been identified that a formulae error was included in the original pricing submission of £375. Wates have confirmed this will be corrected post contract signing stage.

3.7 Performance Bond

Wates have stated in their submission cover letter that they have excluded the cost of a Performance Bond from their tender submission as they will be unable to price for such until negotiations are complete. Should this be required Wates should be asked to provide this at additional cost.

3.8 Combined Overheads & Profit Percentage

Wates have entered their combined Overheads & Profit Percentage as 10%. We do not have any information to be able to confirm if this relates to an agreed framework rate. However we can confirm this sits within a reasonable limit for a project of this nature.

3.9 Cost Qualifications/Exclusions

In the following section we have included the Qualifications / Clarifications as submitted by Wates on their Basis of Offer letter 11.04.19 and commented as appropriate. We have not included any reference to the clarifications on the Submission Cover Letter 08.03.19 which as previously identified contains a number of discrepancies between the two letters received from Wates.

2. Bersche Rolt have based their price and design of the external steelwork on an assumption that all structural hollow core slabs generally align throughout the building. They are, as you are aware, carrying out further investigation and line/level surveys to ascertain that this is the case. Any further design changes that may be required as a result of these investigations will be ascertained once known and discussed with THH for further instruction.

We do not consider this to be an unreasonable assumption based on the available information but recommend this should be confirmed by the council's Structural Engineer.

3. We have carried out exploratory investigations to Flat 12 Brewster House only and our pricing and programme for the anticipated internal works (Inc. structural works) has been based on what has been found within this property along with other assumptions around the extent of furniture, floor coverings and the like that may found. Work within other properties will be ascertained as and when access and inspections can be arranged – particularly in respect to Leaseholders properties and 2/3 bed properties. Our pricing submission contains a number of Provisional Quantities and / or Provisional Sums, as detailed in the Works Price Book.

Whilst we do not consider this to be an unreasonable assumption based on the level of available access, it is important to note in respect of Leasehold and 2/3 bed properties that should the layouts vary significantly from Flat 12 Brewster House there is a substantial risk of additional cost to the contract.

4. Our programme and pricing assumes that Residents will pack and relocate their own personal belongings from each affected room within their flat in good time ahead of us requiring access. We have allowed for the removal and reinstatement of whole furniture only. We have discussed with you over the past several weeks options in respect of fitted furniture, wardrobes to be dismantled and reassembled and as agreed we will await further instruction once all surveys and visits have been carried out to the flats and individual assessments and requirements ascertained.

Again we would not consider this to be an unreasonable assumption based on the level of available information however Tower Hamlets may wish to ensure any potential vulnerable residents are offered support as required to facilitate Wates programme of works. This is especially important to highlight as this is a critical path item on the construction programme and any delays will add time to the programme as well as additional cost to the contract.

5. The programme we have included within our submission is based on an 11 week pre construction period and a 75 week construction period. The last 20 weeks of the programme also allow for the remaining works on the current EWI contract to be carried out whilst Internal works to this Structural Works Contract are concluded. Accordingly and as discussed we have reduced the preliminaries allowances within our bid on the basis that these costs will be transferred across to the current EWI project as part of the ongoing prolongation and variation to the final remaining EWI works. We have also included a schedule and preliminaries breakdown that details all of this.

Tower Hamlets should be aware of the potential risk that if the benefit of the interdependency between the structural works contract and the separate EWI contract should not be realised there is a potential risk of the Structural Works programme attracting additional cost to the contract for the 20 weeks overlap.

6. We have within our preliminaries included for a full time Out of Hours site Security Guard. We have discussed with yourselves and our supply chain the potential for incorporating “Waking Watch” requirements within this security guard allowance, however this is not currently included within the cost allowance and further discussion would be required to finalise this if it was still considered an option that THH wished to progress.

As previously identified an allowance of £291.49/week does not appear to be a sufficient for Wates to provide a full time out of hours security guard. This should be queried and confirmed with Wates.

7. We have assumed that the role of Principal Designer will be carried out by THH or one of its appointed consultants and as such we have not allowed any costs within our submission in respect of this.

We do not believe this to be unreasonable clarification however Tower Hamlets to confirm the role of Principle Designer will be carried out independently from Wates.

8. We have allowed for a daytime Respite facility as required and also for 4 No “Bunka Bin” type sleeping accommodation units which we understand would only be used on an emergency type basis and as such we have based our cleaning of these units on an assumption of circa one use per week during the main part of the internal works.

Tower Hamlets to review cleaning requirements and confirm the assumption of circa one use per week is sufficient.

9. Our adjustment to both the NHF and Dayworks schedules has been based on our recent Framework submission rates.

We have reviewed both the NHF and Dayworks schedules and can confirm these are aligned to the Wates LOT 1 Framework rates.

10. We have assumed the form of Contract will be a JCT DB 2016 with amendments to be agreed over the course of the next few weeks. We note that THH will issue an indicative schedule of amendments for review and further discussion. We will require the contract amendments to include a suitable Brexit related clause, bearing in mind the continuing uncertainty around the current status of this – particularly in relation to the continuing availability of labour and/or materials. We will also require a suitable rider to be included within the amendments that specifically excludes any implied or express fitness for purpose obligations.

In our view the above proposals by Wates do not seem unreasonable however the council's legal team will need to review and agree all contract clauses and proposed amendments. Owing to the specialist nature of the works any variations to the contract are unlikely to be able to be priced appropriately under the NHF or Dayworks sections of the contract. Under the Design and Build form of contract such variations will attract a design fee and risk premium.

11. We will work with you during the next stages of the project to agree the final version of the Employers Requirements and Contractor's Proposals for incorporation into the Contract documents.

Ideally the Employer's Requirements and Contractor's Proposals would be aligned and agreed prior to entering into contract with only the

12. We have assumed any design warranties that are required from either the supply chain or our consultants will be limited to the levels of PI Insurance that they are each able offer. Our assumption in respect of PI Insurance requirements from ourselves is based on £5m for each and every event and in the aggregate in any one period of insurance.

Given that the current price proposal for the works is in excess of £5m, Tower Hamlets may wish to consider requesting Wates provide a minimum of £10m PI insurance for each and every event.

4.0 Value for Money/Conclusion

Having reviewed the information provided we consider the current proposal submitted by Wates to be a fair and reasonable basis to enter into further negotiations for the works with a number of key points necessitating further clarification as set out in Section 5 of this report.

5.0 Further Clarifications & Queries for Contractor

As outlined throughout this report, whilst Wates submission generally appears to be properly priced, a number of further clarifications and queries are required to be addressed by Wates. We would welcome the opportunity to sit down and review this report in detail with Tower Hamlets. We have set out below the key but not exhaustive list of items requiring further clarification below:

- Clarification required of the Preliminaries allowance against the revised programme.
- Clarification required of the allowance for mast climbers and review this is suitable to execute the contract works.
- Wates to confirm what the allowance for logistics included in the preliminaries allows for?
- Wates to confirm what the Security Department allowance is included for?
- Wates to resolve all discrepancies between Basis of Offer letter and Submission Cover letter.
- Wates to confirm how they have closed out all of the outstanding queries on the Cintec specialist sub-contractor competitive tender.
- Wates to confirm and provide the Penache quotation for fire-stopping steelwork and clarify the basis for its inclusion in their tender submission.
- Wates to review their pricing of the asbestos survey and removal and confirm why this is not aligned to the LOT 1 Framework rates.
- Generally Employer's Requirements and Contractor's Proposals are to be agreed and aligned. In particular Tower Hamlets and Wates to agree the scope of works and specification requirements for reinstatement of internal areas.
- PI cover to be provided by structural specialist to be confirmed by Tower Hamlets and the cost to be evidenced by Wates.
- The sub-contractor plant costs are to be confirmed and evidenced by Wates.
- The actual quantities to each block for work to be carried out internally to the properties will need to be reviewed and confirmed by all parties. Wates current tender submission does not include for the total number of properties within each block.
- Wates and Tower Hamlets to agree the programme and further the extent of provisional sums & quantities.
- Wates have stated in their submission cover letter they've been unable to quantify durations for Leaseholder and 2 bed units where cross bracing is required and as such they have included undefined provisional sums for these works. From having reviewed the Wates tender submission it is unclear if these undefined provisional sums have been included by Wates. We would not advise Tower Hamlets to proceed with entering into a contract containing undefined provisional sum allowances and would request these items are firmed up prior to entering into contract if deemed required.