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| <b>Cabinet</b><br><br>11 September 2024   | <br><b>TOWER HAMLETS</b> |
| <b>Report of:</b> Paul Patterson Interim Corporate Director of Housing & Regeneration | <b>Classification:</b><br>Unrestricted  |
| <b>Fire Safety &amp; Capital Investment Works Latham House</b>                        |   |

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| <b>Lead Member</b>                       | <b>Cllr Kabir Ahmed</b>  |
| <b>Originating Officer(s)</b>            | Michael Killeen Director of Housing Asset Management<br>Tania Dyos Head of Housing Contracts & Procurement |
| <b>Wards affected</b>                    | Stepney Green  |
| <b>Key Decision?</b>                     | Yes  |
| <b>Reason for Key Decision</b>           | The reason for key decision is financial threshold.  |
| <b>Forward Plan Notice Published</b>     | A special urgency request has been made to Chair of Overview and Scrutiny Committee.                       |
| <b>Exempt information</b>                | None   |
| <b>Strategic Plan Priority / Outcome</b> | All  |

### **Special Circumstances Justifying Urgent Consideration (also known as 'Reasons for Urgency')**

This report was published after the statutory publication deadline due to revisions required to ensure a more comprehensive account of both commercial and qualitative information, to advise the Mayor of the proposed procurement route to market and provide assurance that financial risk was mitigated and future commercial management was robust within the proposed contracts. The report cannot await beyond September Cabinet due the urgency of fire safety and Building Safety works being completed and the prioritisation of safety for residents. The progression and earliest commencement of the contract is a critical measure and obligation as Landlord.

#### **1. EXECUTIVE SUMMARY**

Latham House has been identified as a high risk, high rise residential building consisting of 93 units. Whilst the building is generally in good structural condition fire safety works have been recommended to ensure the building meets the requirements under the Building Safety Act.

This report outlines the proposed £7.8M of investment from the Council to ensure the safety of residents and the route for procurement of the fire safety and improvement works to Latham House.

This report seeks to ensure fully compliant and commercial advantageous route to market which will ensure vigorous contract management procedures are adopted in the new contract.

## **2. RECOMMENDATIONS:**

The Mayor in Cabinet is recommended to:

1. Authorise the contracting approach and procurement strategy for Latham House fire safety works and capital investment.
2. Authorise the Corporate Director Housing and Regeneration to enter into all contracts and associated agreements and documentation, in consultation with the Mayor and Lead Member, to the winners of the various competitive exercises in accordance with this report
3. Authorise the Corporate Director Housing and Regeneration to authorise the execution of the contract and any and all associated documentation
4. Authorise that a special project team is created to include feedback and inclusion of the Mayor and Lead Member for Housing to ensure effective qualitative criteria and evaluation of most advantages submissions is in place with support from Senior Executive officers, external legal, financial and commercial experts within the Council.

## **3. REASONS FOR THE DECISIONS**

- 3.1 To ensure Latham House capital investment works are delivered on an urgent priority basis, in line with our Building Safety programme and obligations for the Building Safety Act., a competitive tender exercise is considered the best option. It is the most effective route to market and provides assurance of achieving statutory Best Value.

## **4. DETAILS OF THE REPORT**

- 4.1 Latham House is a residential high-rise building consisting of 93 units which was identified in 2022 as having intolerable risk for fire safety. Whilst the building is generally in good structural condition, our external fire safety consultant identified major works required in relation to making sure the building was safe and to reduce the risk. These works include external fabric improvements, installation of a sprinkler system and fire compartmentalisation

A waking watch service commenced in 2022 and has been in place to mitigate against the fire risks identified. To reduce the risk and to establish a plan for major improvement works to be undertaken a temporary fire alarm has been installed and a program of fire door installations has been completed.

These short-term works have reduced the risk to a rating of substantial and the building is currently safe for residents. In parallel with these interim works further specialist surveys were required in response to the emerging Building Safety Act. These have resulted in an increased specification and works schedule.

- 4.2 The residents have had regular communication and guidance in the event of incidents and/or alarm being raised, however they have relayed their concerns and expect the improvement works to be completed at the earliest opportunity.
- 4.3 The final programmed fire safety and building safety surveys included options for secondary means of escape or control measures in the event of a fire incident which have resulted in the inclusion of a sprinkler system to be incorporated, within the refurbishment of the fabric of the building. The change in scope and confirmation of additional works being the right decision for the long-term safety of the building has now been established.
- 4.4 There are several factors to be considered when looking at the decision on most effective procurement route:

These include:

- The Better Neighborhood Framework (BNF) is an existing procurement vehicle managed by the Housing Procurement and Contracts Team. This was set up (five years ago) to deliver most of the general block refurbishment works. It's scope therefore has limited fire safety works and focuses on block fabric works, internal refurbishment work etc. The framework ends in November 2024 and the deadline for awarding packages of work within this framework is September 2024. Due to the timescales, this option is no longer available.
- Under the Building Safety Act, there are new requirements in relation to the approval/ sign off of fire safety design works. A Gateway process has been introduced which benefits from earlier engagement with contractors regarding design of fire safety remedial works etc.
- The improvement works to Latham House have been prioritised to ensure residents have safe homes. The delivery of these investment works is critical, and it is of the highest importance these works commence at the earliest opportunity.

- The Council is currently presenting a paper to Cabinet for the approval of new capital investment contracts to commence 2025.
- The Council does have access to a consortium South Eastern Consortium (SEC), for the procurement of capital investment works, however this is limited regarding specialised fire safety resources/ contractors.
- The Council is obligated to achieve Best Value and timely delivery of the improvement works via a competitive route to market.

4.5 Extensive surveys of Latham House have been completed by our fire safety consultant. Our fire safety consultant has also completed a retrospective fire strategy (as required under the Building Safety act) and concluded that there are several significant departures from the applicable guidance document (CP3 1962) in terms of the buildings internal fire safety design, many of which are considered to present significant risks in the fire safety of the building.

4.6 The Latham House building safety case will be called upon at some point (possibly next year) and it is important that we have a plan of action and route available to demonstrate that any actions required following our comprehensive surveys are in place with timelines documented.

4.7 The proposed works centre around refurbishment works to the building fabric including the replacement of window panels, installation of a sprinkler system to the building, improvements to existing AOVs and ventilation systems, works to the buildings compartmentation, repairs to the buildings concrete frame, renewal of the roof system, alterations to the means of escape provisions on the roof space and general redecoration.

4.8 Under the Building Safety Act, there are additional duties and obligations on all parties that need to be adhered to before building works commence.

Within the procurement and tender process, there is now a requirement to complete Gateway Assessments which means that we need to engage with a contractor to enable clear and effective pathway for the Gateway process.

The Gateway Assessments are:

- Gateway 1 – Pre panning approval. Before building works can commence, approval of work is required.
- Gateway 2 – Building Control Approval, by the Building Safety Regulator
- Gateway 3 – Works completed and signed off.

## 5. Proposed Procurement Strategy

- 5.1 There are currently separate procurement options being considered to support the delivery of future capital investment works, and to include Latham House in this exercise would risk further delays. The individual circumstances that surround this project mean that there is an additional focus on time and the need to get the works completed as soon as possible. There is a site adjacent to Latham House (Bromley Street) which has development planned to build new homes. The site cannot be made available until the works to Latham House are complete.

It is proposed that a 2 Stage Design and Build contract is procured to deliver the works required at Latham House:

- Stage 1 of the contract will cover pre-construction services including the scoping of the works, design and seeking all statutory approvals.
- Stage 2 will comprise the delivery of the construction works, and this will be undertaken by the Contractor that won the Stage 1 bid.

- 5.2 The procurement process will follow a 2-stage restricted procedure under the current regulations. This will be a publicly advertised competitive procurement process open to the whole market and undertaken in line with the council's procurement procedures.

- During shortlisting stage, we will be testing the contractors experience of delivering similar projects, their understanding of the new Building Safety Requirements, the quality of their resources etc.
- At tender stage we will assess
  1. Quality - their design proposals (fit for purpose), their programme and approach to delivery of works and social value.
  2. Price will involve assessment of Prelims, Profit and Overheads and known elements of works

A bidders' briefing session is planned to present the opportunity to those who express an interest.

This will be a project-based contract that will be delivered against an agreed programme.

- 5.3 This block has 93 units, 2 of which are leaseholder.

It is estimated that by procuring this project separately rather than issuing this work through the new arrangements planned for procurement later this year, we could save up to 6 months

The proposed contracting approach is also recommended as this project will be subjected to the requirements of the new Building Safety Act. It will need to follow the gateway process for design sign-off before works can start on

site. By asking bidders to develop the design during the tender process, at award stage the council will be not only be recommending the most suitable contractor for the project but also the most appropriate design.

This is a complex project and will require a strong client-side team. We will seek to bring in additional technical support as required to ensure there is the appropriate capability/ capacity within the project team.

To do this a special project group will be set up, to be led by Procurement, to test all of the assumptions currently made, including, the current route to market considering the new regulations coming into force on 28<sup>th</sup> October, the market appetite for such deals, again in light of the advent of the Building Safely Act, the scoring methodology with specific attention being paid to the split between quality and price. It will also ensure the tender documents include the defined requirements for Social Value and the inclusion of Local Supply chain arrangements in the new contractual arrangements.

The composition of the group will include at key points, The Mayor and Lead Member for Housing, Senior Executive officers, external legal, financial and commercial experts with support from the Project team in the Housing department. This will ensure that all best practices are adopted and managed through the procurement process and onto the contract future management. This will involve setting up a strong client-side function to ensure all the benefits are measured and managed.

Any lessons learned from this project will be shared amongst the whole housing capital delivery team to help support future delivery of complex projects.

The evaluation criteria will be:

60% price

40% quality (this includes 10% for Social Value).

The Contract (and project) will be managed by a Capital Delivery Team Project Manager within Housing Asset Management. This is a complex project to procure and deliver and will require a strong client-side team.

#### 5.4 Community Benefits

We will work with the Council's Economic Benefit Officer and Head of Housing Community Partnerships to develop the approach for social value. The Council's Social Value Matrix will be used, and it is envisaged that as a minimum the following items will be specifically included:

- Local Recruitment
- Support for local supply chain

Social Value will have 10% overall weighting in the tender evaluation process with the requirements being developed and defined during the preparation of the Tender Pack. This will include consideration of Social Value benefits that can reasonably be delivered within the proposed contract.

## **6. EQUALITIES IMPLICATIONS**

There are no equalities implications for this decision.

## **7. OTHER STATUTORY IMPLICATIONS.**

7.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

No other statutory implications have been identified for this decision

## **8. COMMENTS OF THE CHIEF FINANCE OFFICER**

8.1 The estimated cost of the works at Latham House is £7.8m. The works will form part of the major works capital programme for which there is an approved budget of £20m in 2024/25. The £20m has been built into the HRA Business Plan and is affordable within its approved parameters.

8.2 There will be additional revenue costs resulting from these works. The future maintenance costs of the sprinkler systems is estimated at £25k per annum.

## **9. COMMENTS OF LEGAL SERVICES**

9.1 The Council has the legal power to undertake the activities in this report.

9.2 The Council is legally obliged to obtain statutory Best Value and to comply with the prevailing procurement law. Undertaking a procurement in the manner recommended in the report should achieve both objectives

9.3 The Council will be reliant on the contractor's fire safety related expertise and therefore a two stage design and build contract is an appropriate contract model for works such as these. The design services will be controlled by a preconstruction services agreement which will also allow for compliance with the Building Safety Act gateway procedure.

- 9.4 The preconstruction services agreement will provide for the Council to have sufficient ownership over the design that if the stage 2 cost is unaffordable then the Council may retender the stage 2 part of the project.

### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE.

#### **Appendices**

- NONE.

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE.

#### **Officer contact details for documents:**

N/A