


Cabinet 26 June 2019	
Report of: Ann Sutcliffe, Corporate Director, Place	Classification: Part Exempt
Brewster House and Malting House Structural Strengthening Works	

Lead Member	Councillor Sirajul Islam, Cabinet Member for Housing and Deputy Mayor
Originating Officer(s)	Mark Baigent: Interim Divisional Director Housing and Regeneration
Wards affected	Limehouse
Key Decision?	Yes
Forward Plan Notice Published	16 May 2019
Reason for Key Decision	Financial Threshold
Strategic Plan Priority / Outcome	A borough that our residents are proud of and love to live in

Executive Summary

This report sets out proposals for additional resources to undertake works needed to address the structural integrity at Brewster House and Malting House, two large concrete panel system blocks comprising 112 flats.

These two high rise blocks of flats have already benefited from internal communal fire safety works in 2017/18 and works commenced last year to remove and replace the External Wall Insulation (EWI) system, which was found to be unsafe. Wates were appointed to carry out this work and have fully removed the unsafe cladding, as well as commencing replacement.

In 2018, the Government also advised councils to review the structural condition of their blocks that used the Taylor Woodrow Anglian large concrete panel system and to ensure that their structural integrity is sufficient and maintained.

Officers commissioned consulting structural engineers, Wilde Carter Clack, to conduct a comprehensive structural investigation in July 2018 whilst the External Wall Insulation (EWI) works were being undertaken. The engineers' findings concluded that the blocks required intrusive structural strengthening, particularly as the buildings were at risk of progressive structural collapse in the event of an explosion and possibly following an extremely intense fire (which could cause floors to buckle and collapse), whilst noting that the risk of explosion had been mitigated due to the absence of piped gas within the building, in addition to management

arrangements put in place by Tower Hamlets Homes (THH).

This report sets out the options for procuring and charging for the additional works needed, recommending an approach to deliver and complete the work, taking into account specialist advice and focusing on the needs of residents.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree that capital resources of £8,083,081 are made available within the five year HRA Capital Programme to fund the works (Option 1) and the services associated with delivering the works, and agree to adjust the five year programme accordingly.
2. Agree to the award of the works contract to Wates in the sum of £6,276,605.50. Wates has been procured via the Council's Better Neighbourhoods Works Framework.
3. Agree to formally consult leaseholders and to recharge them for their portion of the cost of the works.
4. Note that officers will explore the voluntary buy-back of leasehold properties in the two blocks, under the existing budgeted borough-wide buy-back programme, with potential costs estimated at c.£9.6m.
5. Agree to the introduction of two additional borough-wide leasehold service charge payment options as set out in sections 9.5 - 9.7 of the report.

1 REASONS FOR THE DECISIONS

- 1.1 Additional housing capital resources are needed to fund urgent works needed to address structural issues in relation to the Brewster House and Malting House large panel system high rise blocks. Consulting structural engineers, Wilde Carter Clack, concluded that the blocks require intrusive structural strengthening, particularly as the buildings are at risk of progressive structural collapse in the event of an explosion and possibly following an extremely intense fire (which could cause floors to buckle and collapse). (Please see Appendix 1.)
- 1.2 The floor slabs in each of the flats require strengthening, undertaking this work will be complex with an expected duration of 75 weeks (around 18 months).
- 1.3 The works will involve all of the 112 dwellings. A risk assessment undertaken by consulting structural engineers Curtins (Appendix 2 and quoted below) has stated that it is safe for residents to remain in occupation at this time and during the planned works, with respite facilities and temporary rehousing options available as required.

“We confirm that the proposed strengthening works may be carried out with the residents in place with appropriate Risk Assessments/Method Statements being implemented. There will be times when temporary exclusion of residents is necessary from certain areas subject to arrangements between the contractor and Tower Hamlets Homes.”

“Much of the work can be carried out from the exterior. The internal works will require management of the exclusion of the residents from the work area. In general the residents on other levels may remain in occupation.”

- 1.4 External Wall Insulation (EWI) works already being delivered by Wates have been suspended pending the procurement and delivery of the structural works contract.
- 1.5 Officers recommend appointing Wates to carry out the structural strengthening works under the new Better Neighbourhoods Framework (BNF). This will ensure continuity as well as delivering VFM, given that Wates were the highest scoring contractor in the BNF procurement process and hence can be directly awarded the contract for the structural strengthening works.
- 1.6 Residents and the Barleymow Tenants & Residents Association have been regularly updated on the progress of investigations and works proposals. More detailed consultations will take place following the Cabinet decisions.

2 OPTIONS AND RELATIVE COSTS

- 2.1 The options which have been considered are as follows:
 - 1. Proceed with the proposed works and recharge the leasehold properties for all of the additional works.**
- 2.2 The works are required as a result of a safety consideration that became apparent after the blocks were built – the Ronan Point explosion in 1968. Responsibility for repairs to this type of block fall upon the owners which includes leaseholders.
- 2.3 The recharge cost to leaseholders is estimated to be in the region of £2.0m.
- 2.4 If this option was chosen the council will bear the costs of the decant estimated at £224,000. The council will also bear the costs of any leasehold disturbance and temporary accommodation costs. This amount is included in the total £704,000 resident disturbance and temporary accommodation allowance shown in the table below (the remainder relating to tenants).
- 2.5 The total estimated cost of this option is £8,083,081. A summary of the cost and allowances categories is;

Wates works contract	6,276,606
Additional works contingency	339,753
Structural engineer	140,000
Security and safety (walk and watch monitoring)	190,722
Resident disturbance and temporary accommodation allowance	704,000
THH Project Team	432,000
Total	£8,083,081

2.Do not proceed with the works; instead redevelop the site of the two blocks to replace existing homes and build additional new homes

- 2.6 The alternative option of demolition of Malting and Brewster Houses and redevelopment of new homes on the estate has been considered. Outline views from architects suggested scope to increase density in line with Planning policy, building around 160 new homes. However, the considerable costs of rehousing residents, buying out and compensating leaseholders, demolishing the existing blocks and then constructing new buildings would make the wholesale regeneration option unviable in normal commercial development terms, even if all the additional homes were sold at full market value. Based on outline assumptions, the net cost to the Council (after cross-subsidy from open market sales) is estimated at between £25m and £40m.
- 2.7 If the Council wanted to increase the supply of social rented homes on the estate through redevelopment, funding would be limited to HRA borrowing, with use of RTB receipts only possible under current rules for additional new social homes, not the replacement of existing homes. Despite the high costs of the strengthening works and recladding set out in this report, officers recommend that this refurbishment offers better value for money to the Council than redevelopment.
- 2.8 The total estimated comparison cost of this option is £16,632,107. This estimate allows for full decant only and does not include demolition or any development costs. As indicated above, the net cost of redevelopment is estimated at between £25m and £40m. On a unit cost basis per rented dwelling, this means a cost of between £250k and £400k, in contrast to an average refurbishment cost per dwelling of £87.5k.
- 2.9 A further alternate option that has been considered at a high level would be to remodel the whole estate (including Brewster and Malting Houses and also the neighbouring low-rise blocks) replacing the existing homes and providing much needed additional new homes. Whilst further feasibility work on this option could be undertaken to explore the scope and tenure mix, whilst complying with Planning policy on the tenure mix, this would further delay the structural works needed to Brewster and Malting Houses.

3. Full decant of both blocks prior to completing the proposed works

- 2.10 If the Council decided to vacate both blocks prior to starting work and throughout the works contract, the timescale would be extended by an estimated nine months (six at the outset and three at the end). This approach is not recommended by Curtins, the specialist structural engineering consultants, whose risk assessment confirms that works can be carried out safely with residents in occupation (other than short periods of rehousing needed for those flats directly undergoing strengthening works at any one time). This approach would significantly increase the overall costs, with an estimated £13.5m decant costs pushing the overall project costs over £21m.

4. Proceed with the works as per Option 1 but do not recharge the leasehold properties

- 2.11 Should the Council choose this option then it would waive the recovery of an estimated £2m from leaseholders.
- 2.12 The total estimated costs would be as per Option 1 but with no leasehold contribution. Effectively tenants would be subsidising leaseholders because these costs would be paid by the tenants across the HRA through their rents.

Recommended Option

- 2.13 Option 1 is recommended to Cabinet for the reasons set out above.

DETAILS OF THE REPORT

3 Background

- 3.1 THH officers and Wates were in the progress of delivering the external wall insulation re-cladding contract. An initial structural survey was carried out to ensure that the strength of the existing building fabric would safely carry the new cladding system. Following this survey and prompted by Ministry of Housing Communities and Local Government (MHCLG) guidance, the structural engineer's commission was extended to include a review of the buildings' ability to withstand a disproportionate collapse in the event of an explosion. The MHCLG have advised landlords to review the condition of their large panel system blocks and to ensure that their structural integrity is sufficient and maintained.
- 3.2 Wilde Carter Clack was commissioned to undertake the structural survey. Their findings (reported in July 2018) stress the urgency to undertake the remedial structural work without delay. Please see Appendix 1.

4. Proposed Structural and Associated Works

- 4.1 It is proposed to carry out the following works via Wates (subject to contract and s20 clearance prior to contract award):

- 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 finishings. Provision of daytime respite and decant facilities on an individual household assessed basis. Reinstatement upon the completion of the works.
 - Wates will employ a specialist structural contractor through a competitive tendering process.
- 4.2 The works are expected to take 75 weeks (around 18 months) to complete. The works to both blocks will be carried out simultaneously. Third party roles and responsibilities and programme are appended at Appendices 4 and 5.
- 4.3 Based on procurement and legal advice, officers recommend making use of the new Better Neighbourhoods Framework to procure the contractor to deliver the structural strengthening works. Wates is the highest scoring contractor on the framework and thus can be directly awarded a contract, subject to the framework award rules being followed.
- 4.4 Wates has conducted a competitive tender between two specialist structural contractors Bersche-Rolt and Cintec. This work makes up the majority of the physical works and Wates tender price. See below for details of the cost breakdown.
- 4.5 THH officers have been actively involved during the tender process. Due to the nature of the works it has not been possible to agree a fixed price with Wates. However the tender includes appropriate provisional sums to cover this. In addition there is a contingency allowed to cover unforeseen works or resident support services that may be required.
- 4.6 Wates are responsible for the site and the contractors, and for the structural design and structural works sign-off via their own structural engineer.
- 4.7 Wilde Carter Clark, structural consulting engineers who have a long association with the two blocks and have been actively involved since the external wall insulation works, are engaged and are responsible for checking the design and the works on behalf of the Council. Building Control will also continue to review as required.
- 4.8 Following negotiation, Wates tender price totals £6,276,605.50. A detailed cost breakdown is provided in exempt appendix 3.
- 4.9 Separately there is an estimated £921,405 expenditure remaining for the incomplete External Wall Insulation (EWI) works already in contract with Wates. These works will be completed once the structural works are

completed. These works have already been budgeted for and approved. It was previously agreed that leaseholders will not be charged for these EWI works.

- 4.10 Further costs may be incurred for management costs, decant and respite, resident compensation, and resident and stakeholder communications, if there is a higher than expected demand for the resident support and decant services.
- 4.11 Details of the additional financial risks on this contract and associated works are set out in exempt Appendix 3. The total amount for provisional sums and contingencies amounts to £1,474,280. In addition, full take-up of the buyback option (see 9.13 below) would add further potential costs estimated at c.£9.6m, which would be a General Fund capital expenditure.

5. Consultant Structural Engineer

- 5.1 The consultant structural engineer Wilde Carter Clarke has been leading on the structural investigations and solutions. They have provided the initial structural solution and design.
- 5.2 It is proposed that they are retained for the duration of the works. Their role will be to oversee the specialist structural works and to provide ongoing advice and support.
- 5.3 Wilde Carter Clack has submitted a tender price to oversee the structural works and to provide ongoing advice and support.
- 5.4 The cost for their remaining commission is currently estimated as follows:

STRUCTURAL ENGINEER	
Wilde Carter Clack (Consultant Structural Engineer)	£65,000.00
Contingency (Including Fire Safety Report)	£75,000.00
Total	£140,000.00

- 5.5 A recent inspection of the block to determine the fire break protection of the blocks was undertaken at 12 Brewster House by the in-house team who are experienced building surveyors. This inspection concluded the following:
 - There was sufficient evidence to suggest that the floor screed is flush with the exterior walls thus forming a fire resistance seal.
 - The ceiling joints are filled with a concrete mix and mastic forming a fire resistance barrier.
 - The suspended ceiling boards are of sufficient density and thickness and contain a fibrous material synonymous with those offering fire resistant properties.

5.6 These findings are deemed sufficient to progress the works. A contingency has been included should the need for further fire safety investigation become apparent during the progress of the works.

6. Respite and Rehousing (Decant)

6.1 The proposed work is extremely intrusive and will require respite and some decant (temporary rehousing) facilities to be offered to some residents.

6.2 This service will apply equally to tenants and leaseholders. Although the lease does not obligate the Council to provide this, leaseholders can claim for damages.

6.3 Daytime respite facilities are being established via Wates. This includes temporary accommodation on site to allow respite during the dwelling specific intrusive works. THH officers will work with each household to determine the extent to which they need to use daily respite facilities or be temporarily or permanently rehoused.

6.4 A number of empty properties will be held and made available for longer term decants. Further temporary and / or permanent decant will then be off-site and in a hotel. In addition, an emergency overnight facility will be available on-site should it be required. This will avoid creating additional duress to households in the event of an emergency decant.

6.5 There is a costing allowance for daytime respite, on-site temporary accommodation and off-site temporary accommodation in the project costs. This will be adjusted as required.

7. Tower Hamlets Homes Staff Resourcing

7.1 Due to the complex and intrusive nature of the works, it is proposed to allocate the following additional resources to the contract. This is based on 18 month duration on agency rates. It also assumes that on current information it is possible for the works to be carried out with the majority of residents in occupation but with respite facilities provided and short term decants as the exception; based on particular needs.

Post Description	Cost
Project Management	£194,000
Surveying	£140,000
Resident Liaison Communications	£98,000
Total	£432,000

7.2 This team will be responsible for managing all aspects of the contract, along with all external stakeholder engagement.

7.3 Should a full decant become required (although this is not currently anticipated) then additional resources would be needed. These are estimated

as being 2 x Decant Officers and 1 x Admin Officer at a total additional cost of £192,000.

8. RESIDENT ENGAGEMENT

- 8.1 Residents have been kept informed throughout the structural investigation period via weekly drop in coffee mornings, monthly newsletters, regular liaison with the TRA Chair, access to the onsite Project Team, a drop in afternoon/ evening session with THH officers followed up by FAQs on the findings and proposed works. The ward Councillor and Deputy Mayor have been kept informed of the position.
- 8.2 Currently residents are being visited in their homes by the Resident Liaison Team to carry out Impact Assessments and to ascertain their specific needs during the works.
- 8.3 Senior THH officers and representatives from Wilde Carter Clack will hold a formal meeting with residents when it is known if the works will proceed. There will be separate 1:1 sessions offered to leaseholders regarding charges for the works.

9. LEASEHOLD CONSIDERATIONS

- 9.1 It is proposed that leaseholders are charged for all the necessary building works. The works will be disruptive and intrusive and it will be important to establish an equitable approach for all residents notwithstanding that the leaseholders will be recharged for the works. It should be stressed that these works are of a very exceptional nature and so costings are estimated at this stage..
- 9.2 Based upon Option 1, the costs for leaseholders are estimated at this stage to be in the region of: £55,000, £66,000 or £76,000 per dwelling. The range reflects a 1 bed, 2 bed and 3 bedroom property. The total to be billed to lessees will be in the region of £2m.
- 9.3 Section 20 Notices will be served upon leaseholders for the cost of the works and applicable fees. The cost of the works will be based upon the tender submitted by Wates under the new Major Works Qualifying Long Term Agreement.
- 9.4 Due to the nature of the works and the unusually high overall cost to leaseholders it is proposed that additional payment options are explored.

Major works payment options

- 9.5 Currently leaseholders have a range of support payment options agreed by the Council in 2016 and 2013 which included a discretionary cap. The support payments options administered by THH are available to leaseholders subject to eligibility. Malting and Brewster leaseholders make use of the existing wide ranging support payment options. The rationale for the options has not

changed; however, recent high bills have provided an opportunity to revisit the options.

9.6 It is proposed to retain the existing options and add additional options for resident lessees (i.e. not sub-letting the property) facing significantly high bills, defined as £25,000 and over. The proposed additional arrangements are:

- For resident lessees 65 years old or over with a bill of £25,000 or more, a charge can be put on the property with the Council's interest payable per annum. The bill is paid (plus any legal costs) upon the sale or transfer of the property. Note that if the Council agree to a 'voluntary charge' then THH can raise one charge based on the estimate rather than on each occasion the lessee is invoiced.
- For resident lessees under 65 years old with a bill of £25,000 of more, then the Council offers an interest free period of 5 years.

9.7 The charge would need to be paid by the lessee at a cost of circa £250 for each transaction. The fee is payable to place the charge then have it removed. There would also need to be sufficient equity in the property. It is also the case that lessees will invariably have to raise such large sums via their mortgage. They can then determine the length of payment: from 5 to 25 years. Note that an interest only mortgage (at 3%) for a £74,000 loan equates to £185 repayable per month over 20 years. On a repayment basis the monthly amount payable would be: £410.

Restitutionary Claims at Maltings and Brewster

9.8 As the circumstances at Maltings and Brewster are quite unique there does not appear to be any existing policy in this area. Tenants decants are covered by: Land Compensation Act 1973 (S37 and 38 – Disturbance Payments), Housing Act 1985 (S26 - Financial assistance towards removal expenses), Housing Act 1996 (Parts VI & VII – Allocation of housing accommodation & Homelessness).

9.9 The leases contain clauses that enable leaseholders to make claims for the loss of the use of their homes. It is likely that with leaseholders any claims need to be individually negotiated or assessed on their circumstances. The compensation will be an inconvenience component and then a disturbance payment that will depend on their circumstances and the duration of the decant.

9.10 The starting point in arriving at a quantum is to monetise the offer in place for tenants and to convert that to a daily rate for leaseholders and make any reasonable adjustments from that point. This should provide the basis to assign a fixed sum for removal and return costs by property size and assign a daily disturbance payment per property dependent on whether the council is providing alternative accommodation from our stock or relying on Bed and Breakfast accommodation, hotels etc. Rental income is at least £1,400 per month.

- 9.11 The costs of dealing with leaseholders' kitchens or bathrooms, fittings, carpets, etc. that need to be disconnected, reinstated, redecorated and made good will vary depending on the circumstances. Leaseholders will likely be looking at the offer from the perspective of S38 of The Land Compensation Act 1973. Allowances have been made for this as shown in Appendix 3.
- 9.12 It would appear unlikely that the works make the building un-mortgageable. However, the landlord would be obliged to provide details of the works in re-sales packs. So whilst not un-mortgageable, they may become unsellable. In the future lessees may claim against the Council for this. If this scenario is taken into account then selling at market value (under the Council's buy back scheme) and not deducting the works cost becomes an option (probably at present unique to Brewster House and Malting House).

Buyback

- 9.13 The Council's existing programme applies at Brewster and Malting. However, as matters stand the cost of the work will be deducted from the market value. Buy back would appear to provide at least a good option for both the lessees and the Council. It removes any claims, disputes over making good and makes the carrying out of the works much easier (if they have already sold). However, the Council would need to factor in and add any restitution payable. This may potentially add around £10,000 to the sale price; possibly more if various scenarios are added. All but 2 of the lessees have more than the required 10 years since the RTB to qualify. The most recent RTB should have nothing to pay as the works are not listed in their costed schedule protection (CSP). Buyback is also likely to be quicker and certainly provide more certainty than an open market sale. However, it is important to recognise that in the buyback scenario the leaseholder is then faced with finding a new permanent home elsewhere, with the sales receipt possibly not sufficient to enable them to purchase again in the local second hand property market.

Benefits

- 9.14 Some lessees may be entitled to DWP assistance if in receipt of one of the following benefits for 39 weeks or more:

- Income Support
- Jobseekers Allowance
- Employment & Support Allowance
- Pension Credit (Guaranteed element)
- Universal Credit (excluding tax credits)

- 9.15 If the above apply then leaseholders may be entitled to assistance with their major works charge, which would entail meeting the leaseholder and go through a Financial Inclusion (FI) assessment which includes an income and expenditure assessment to determine eligibility. Leaseholders can also carry out a self-assessment if they are able to. Note that as leaseholders will be invoiced in September 2020, there is plenty of time to assist them if necessary. Applications need to be made within 30 days of the date of invoice.

Billing

- 9.16 Billing the lessees should ideally follow the updated THH method which is to bill as per the cash flow of the project. However, as the estimates for 2019 have already been issued, lessees at Brewster & Malting are likely to be billed only as actuals. Therefore, lessees will receive an actual invoice in September 2020, 2021 and 2022. On the basis of a £74,000 bill, indicative billing would look like this:
- September 2020 c. £50,000
 - September 2021 c. £20,000
 - September 2022 c. £4,000

Impact on Leaseholders

- 9.17 Clearly bills of this magnitude will have a major impact on leaseholders. However, the impact will be different for each particular 'type' of lessee. For non-resident owners renting out, the decision becomes one of a commercial nature. As they are not residing at the premises, although the financial impact is similar, the personal impact is substantially less than for those residing. For those residing the impact will be considerable, on a financial and personal level. For those younger lessees it may be easier for them to raise finance and they may find it easier to sell and move. However for those lessees who are older, they may find it much more challenging to raise finance and may be forced to sell and therefore move; they will need to find accommodation (buying or renting) and an affordable location may well be different from their current home. THH do have some of the dates of birth of lessees. Of those known and who are residing there are 7 lessees aged between 50-60; 7 aged 60-70 and one aged over 80. THH do not have the dates of birth of 10 lessees who are residing. It is likely therefore that some of these lessees are in the higher aged brackets. Of the most recent RTB's; one unfortunately has their costed schedule protection (CSP) expiring in July 2019. This means that they will be fully liable to pay. For the more recent RTB; their CSP expires in March 2021 so they will likely not have to pay anything.

10. PROCUREMENT ROUTE

- 10.1 The Wates' tender value of £6,276,605.50 is beyond the threshold delegated to any Corporate Director and the Procurement Regulations including the Council's internal procurement procedures will not allow for a variation of the original external wall insulation contract at this level.
- 10.2 In addition, the procurement is required with urgency and there are very few suitable specialist contractors available. Ad-hoc procurement would need to be undertaken via an Official Journal of the European Union (OJEU) procurement. This would typically take at least 15 months to procure such a complex contract.

- 10.3 Wates already has a site presence due to their contract for replacing the external wall insulation system. Their contract is currently suspended pending the delivery of the structural strengthening works. The external wall insulation contract will then recommence. It is therefore considered contractually and logistically advantageous if Wates carry out the structural strengthening works.
- 10.4 Wates are one of the contractors who have been appointed to the new Better Neighbourhoods Framework. The framework is suitable as a procurement route to procure a suitable contractor to undertake the proposed works. Wates are the highest scoring contractor in the main works lot of the framework. Therefore it is possible to conduct a direct award (call-off contract) to Wates.
- 10.5 Wates were invited to tender for the works on a negotiated tender basis. This was because the designs of the structural strengthening works were still in progress. Wates and the two specialist structural strengthening subcontractors were inextricably involved in developing the specialist design for the works. This forms the major element of the project. The other works relate to opening up areas within residents' homes, managing decant of residents and their belongings, and reinstating the residents' homes upon the completion of the work. The works need to be undertaken in a specific order due to the additional weight loadings introduced into the blocks via the structural steelwork. Thus the logistics around managing the works and the residents' issues are significant. Wates will be the principal contractor and will manage the site on behalf of the Council.
- 10.6 There is a heavy reliance on resident liaison officers provided both by Wates and Tower Hamlets Homes. This service is essential in order that resident issues are effectively managed and avoidable disruption and inconvenience is not experienced by them.
- 10.7 Wates has priced some of the enabling works and the property reinstatement works as provisional sums. This is because the exact extent of these works is unknown until all residents have been visited and their individual works support plan agreed with them. This approach is preferred as it was considered that Wates would price these items on a worst case scenario if they were required to price at risk.

11 EQUALITIES IMPLICATIONS

- 11.1 Officers are endeavouring to treat all residents on an equitable basis. This is in terms of consultation (statutory requirements excluded) and how temporary decants, respite and the storage of furniture and belongings is managed.

12 OTHER STATUTORY IMPLICATIONS

- 12.1 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.

One Tower Hamlets Considerations

- 12.2 Recommendations made in this report will ensure increased safety to all residents in the affected blocks. Resident consultation has started and will be increased as the programme progresses.

Best Value (BV) Implications

- 12.3 This report recommends urgent action at a potential cost to the Council; however the inherent value of the proposal lies in the risk of not proceeding quickly with the recommendations.
- 12.4 Given the considerable concern across the UK regarding the safety of large concrete panel blocks, it is vital that the borough minimise any risk in this area by progressing the works.
- 12.5 The contract sum has been negotiated with Wates. Wates has conducted a competitive tender between two specialist structural contractors Bersche-Rolt and Cintec. THH officers were involved in the competitive tender process. Procurement and legal officers advise that this approach satisfies the value for money considerations in the framework contract rules.

Sustainable Action for a Greener Environment

- 12.6 Officers will ensure that all products used conform to the LBTH strict sourcing strategy to achieve value for money whilst stimulating local markets and securing community benefits. These will support a strong and sustainable green economy, resilient to climate change.

Risk Management Implications

- 12.7 There are significant risk implications inherent in large concrete panel blocks. A formal risk assessment undertaken by an approved leading consulting structural engineer Curtins Consulting limited has identified that the TWA buildings require urgent works.
- 12.8 The risk assessment prepared by Curtins has concluded it is safe for residents to remain in occupation based on the expectation that the work will be carried out soon, subject to risk assessments and methodology statements being completed.

- 12.9 The leasehold management risk is that leaseholders challenge the works and relative cost. If successful this would limit recharges to £250 per unit.
- 12.11 There is still a degree of uncertainty of the scale of work that is required pending accessing the proposed areas of work. The costs could increase if, for example, historical poor workmanship or use of poor materials is discovered. Specialist structural engineering advisers are appointed to monitor and mitigate this risk, for which contingency budgets are in place. Any emerging issues will be reported to the Corporate Director through the THH client meetings.

Crime and Disorder Reduction Implications

- 12.12 There are no specific Crime and Disorder reduction implications

Safeguarding Implications

- 12.13 Recommendations made in this report will ensure increased safety to all residents in the two blocks and maintain provision of 80 social rented homes and 32 leasehold homes. Individual household visits and needs assessments are underway to ensure the individual needs of vulnerable residents are adequately addressed throughout the period of works.

13 COMMENTS OF THE CHIEF FINANCE OFFICER

- 13.1 The cost of the preferred option to undertake structural works on Brewster House and Maltings House will cost £8.083m. These costs are capital in nature and will be contained entirely within the Housing Revenue Account.
- 13.2 Funding will be by a combination of £2m leaseholder s20 contributions and HRA balances. There are sufficient balances within the HRA to fund the remaining costs of delivery c£6m.
- 13.3 The HRA has an approved five year capital programme. This project does not currently form part of this programme and as a result other works will need to be identified for slippage in order for the programme to remain within approved limits.
- 13.4 Any leaseholder property buybacks will be funded through the General Fund. The Council's standard buyback offer will apply but will be adjusted for the value of these works to each property. Typically each buyback will cost the General Fund between £250k and £300k to acquire.
- 13.5 There are advantages to the General Fund budget as letting these properties at LHA levels to homeless families will reduce the burden on the Temporary Accommodation budget through limiting the use of more expensive nightly paid accommodation.

- 13.6 Right To Buy receipts can be used to fund 30% of each buyback as long as the Right To Buy purchase took place over 10 years ago. In these cases the remaining 70% will be funded through General Fund borrowing.
- 13.7 There are two properties that could potentially be bought back where Right To Buy receipts cannot be used as the sales were completed within the 10 year timeframe. Should these properties be acquired then funding will be entirely through borrowing.
- 13.8 It is difficult to estimate the potential borrowing requirement within the General Fund or the call on Right To Buy receipts as it is dependent on the uptake by leaseholders. There are a total of 32 leasehold flats within the buildings that could be bought back. Assuming a purchase price of £300k and 100% uptake, a total funding requirement of £9.6m would be required. This would be made up of £2.7m Right To Buy receipts (30 eligible properties) and £6.9m from General Fund borrowing. These funding requirements are less if demand for buyback is lower.

14 COMMENTS OF LEGAL SERVICES

Procuring Works

- 14.1 The Council has both the legal power and the duty to perform the works that are the subject of this report.
- 14.2 The Better Neighbourhoods Framework contracts are the result of a tender which was fully compliant with European law. The works required as referred to in this report are also of the variety included under the scope of the advert used to advertise the Better Neighbourhoods framework. Therefore, the Council is legally entitled to award this contract to Wates.
- 14.3 Also, the tender process demonstrates that the award would represent compliance with the Council's Best Value Duty. This is because the bid represents the most economically advantageous tender determined by reference to a blend of the predetermined evaluation criteria and price.

Recharge to Leaseholders

- 14.4 The report recommends that leaseholders are charged the costs of the works. Leaseholders are obliged by the terms of their leases to pay a contribution towards the cost of major works. The council is also under a fiduciary duty to the council tax payers to recover money due to it. In order to recover the costs of these works, the Council must consult leaseholders on the proposed works under section 20 of the Landlord and Tenant Act 1985 unless dispensation from consultation has been obtained from the Upper Tribunal. Any failure to comply with these requirements will mean that the amount of contributions that can be claimed from leaseholders will be limited in accordance with section 20 (6) or 20(7) of the Housing Act 1985 or both.

Voluntary Buy Back

- 14.5 The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation, either by erecting houses, or converting buildings into houses on land acquired by it for the purposes of Part 2 of the Housing Act 1985, or by acquiring houses.
- 14.6 The Council has the powers pursuant to section 120 Local Government Act 1972 to acquire land for the purposes of exercising the statutory housing functions contained in the Housing Act 1985.
- 14.7 The acquisitions are to be funded as stated at 13.6 above, using a mixture of right to buy receipts and general fund resources (including, potentially elements of prudential borrowing).
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Annexe 1 MHCLG guidance on gas supplied buildings – Progressive Collapse Buildings
- Appendix 1 Structural Report – Wilde Carter Clack
- Appendix 2 Risk Assessment – Curtins
- Appendix 3 Commercially Confidential Financial Background, Risk and Contingency (Exempt)
- Appendix 4 – Third party roles and responsibilities
- Appendix 5 Works Programme

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

- NONE

Officer contact details for documents:

Mark Baigent, Interim Divisional Director – Housing & Regeneration
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ANNEXE 1

GUIDANCE PROVIDED BY THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Gas supplied buildings

Buildings containing gas supplies need to be stronger in order to remain structurally stable in the event of a gas explosion. It is therefore recommended that you should ascertain whether buildings with large panel systems for which you have responsibility have piped gas, and if they do, you should take action to ensure that these buildings can carry piped gas safely. You should consider taking expert advice to assure yourselves of this.

Whether or not a gas supply is installed, it is important with all large panel system buildings that their structural history is known, and that their condition and continued structural integrity are understood and monitored. This should include desktop studies where necessary to establish what strengthening work has been undertaken, and to assess the original design of the building. In undertaking desktop studies, building owners may not be able to rely solely on their own records. They may also need to explore records prior to them taking ownership of the building and explore the accuracy of them. Depending on the records available and findings from non-intrusive investigations, building owners may wish to commission more intrusive forms of investigation to check condition and strength of critical connections.

The structural design of large panel system buildings may vary from building to building, even where they are ostensibly of the same original design. This means that each building needs to be assessed on its own merits. There are a number of reports available which may be helpful in understanding how to assess the large panel buildings for which you are responsible:

Further information suggests that additional investigations may be required to assess strengthening work which might have been undertaken. This does not necessarily mean that buildings of this type are structurally unsafe, but it does suggest that strengthening work may need to be reviewed, particularly where the building has a gas supply.

Building owners should already be reviewing available evidence and records pertaining to strengthening work and structural design of these types of buildings. In particular you should be considering what expert advice is required in order to assess the design, quality of workmanship and condition of the building structure, and in particular critical connection details within the overall panel system. Guidance on undertaking such assessments work is provided in the 'Handbook for the structural assessment of large panel system (LPS) dwelling blocks for accidental loading (BR 511)' which was published by the Building Research Establishment in 2012 and remains both current and relevant.

The Department recommends that these steps be undertaken as a matter of urgency, in order to provide suitable assurance to residents of the affected buildings.

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If building owners do decide that immediate steps are required to mitigate any risks, we would ask that particular consideration be given to the potential impact on any older or disabled residents and other vulnerable groups who may be affected. The Department is continuing to review the position together with appropriate experts and may issue further guidance in due course.