



**General Exception - Bridport House – Progress Update**

<b>CABINET MEETING DATE (2019/20)</b> 16th September 2019	<b>CLASSIFICATION:</b>  Open with Exempt Appendices
<b>WARD(S) AFFECTED</b>  Hoxton East and Shoreditch	
<b>CABINET MEMBER</b>  Mayor Glanville and Councillor McKenzie	
<b>KEY DECISION</b>  Yes	<b>REASON</b>  Significant save or spend
<b>GROUP DIRECTOR</b>  Kim Wright, Group Director, Neighbourhoods and Housing	

## **1. CABINET MEMBER'S INTRODUCTION**

- 1.1 The issues that residents of Bridport House have faced over the last few years are not acceptable, and we are committing to resolving them once and for all..
- 1.2 Over the last few years, I've visited tenants' homes to see the day-to-day issues for myself, and repeatedly met with residents' representatives and Council officers to scrutinise how repair work would be carried out on the exterior of the block..
- 1.3 In April, I met residents at a public meeting alongside officers and the ward councillors to explain why we had put additional fire safety measures in place after engineers starting some of this work raised concerns about the type of cavity wall insulation they found. Our priority then was the safety of our residents, and that remains the case today.
- 1.4 We now know that there were a series of serious defects in the construction of Bridport House, and that we need to fix them. Replacing that incorrect cavity wall insulation is vital, and this paper sets out the difficult choices facing us in completing that work and resolving other issues with the building.
- 1.5 In August, alongside senior Council officers we explained these issues and the Council's options to residents, and this paper sadly recommends that residents will need to move from their homes while we carry out that repair work.
- 1.6 I and the Council are deeply sorry for the disruption this will cause to tenants' daily lives, and we will do everything in our power to put them first and find the best alternative homes we have available. A bespoke range of options for them is detailed in this paper, and we will involve residents at every step of this journey. Over the next three years, we will support residents in moving out of the building and carry out the necessary repair work to ensure the block complies with Building Regulations and stands the test of time.
- 1.7 I am determined that the tenants of Bridport House are offered the modern, high-quality homes that they deserve, and that every family in Hackney aspires to. This paper sets out how we will do just that, and I recommend this report to Cabinet.

## **2. GROUP DIRECTOR'S INTRODUCTION**

- 2.1. Following the discovery of a range of defects in Bridport House dating back to the original construction of the development in 2011, Officers have now completed a thorough assessment of the problems

and have proposed a solution involving the remediation of all the issues identified, working on a building that is temporarily unoccupied by residents. The investigations undertaken have revealed that a number of serious errors were made during construction, the most significant of which is that the type of cavity wall insulation used did not meet Building Regulations. Other key failures in the construction of the building include poor quality installation of brickwork and issues with windows, concrete paneling, balconies and terraces, roof parapets and fire stopping - all of which are in need of remediation.

- 2.2. Nevertheless, legal advice is clear that this does not exonerate the original contractor from their design liability and responsibility for the delivery of a building that is compliant with Building Regulations, and we are therefore taking legal advice and reserving our rights as to the consequential costs of remediation.
- 2.3. Mitigating measures have been put in place to ensure that the building remains safe to live in, and this will remain the case during the coming months while the rehousing arrangements are in train.
- 2.4. This paper sets out the intended approach to remediation works, which involve the temporary or permanent rehousing of all residents. The need for this has been carefully examined, as have a number of possible alternative options for redevelopment of the site. I am satisfied that the proposed approach represents the best way to look after our residents while cost-effectively and efficiently returning the accommodation in Bridport House to the standard we now expect. The impact of this on the lives of residents who want to live their lives quietly and peacefully cannot be underestimated and I am sorry that they are now faced with this situation, and we intend to provide full and ongoing support to them throughout the coming months and years.

### **3. RECOMMENDATION(S)**

**Cabinet is recommended to agree:**

- 3.1 That remedial works will be undertaken to correct the defects identified in the original construction of Bridport House.**
- 3.2 The rehousing offer to residents (attached as Appendix 1, which will be implemented by the dedicated Rehousing Team), and that, in line with this, all residents of Bridport House will be provided with suitable alternative accommodation before remedial works are undertaken.**
- 3.3 To delegate to the Group Director, Neighbourhoods and Housing, in consultation with the Mayor and the Cabinet Member, authority to agree any necessary changes to the rehousing offer to residents (attached as Appendix 1).**

### **4. BACKGROUND**

## **a) Context**

1. The construction of Bridport House was contracted by Willmott Partnership Homes Limited (“WPHL”), on a Design and Build Contract, a contract form which places all design responsibility with the contractor. The consultant design team, initially appointed by the Council to prepare the original specifications against which contractors tendered for this project were then ‘novated’ (i.e. contractually reassigned) to the main contractor. For various reasons, the decision was taken to construct the building around a frame made of cross laminated timber, a lightweight and sustainable material with good longevity that can be erected quickly following offsite pre-fabrication.
2. Construction was completed in 2011, and the building was signed off, including by the Council’s then Building Control team.
3. The accommodation at Bridport House consists of 41 units, all socially rented. These are set out in a building which comprises interconnecting 8 floor and 5 floor sections, served by separate entrances. The ground floor and first floor are four bedded maisonette flats and the accommodation above ranges in size from 1 to 3 beds.
4. All newbuild developments inevitably suffer to some extent from ‘snagging’ issues, but in the case of Bridport House, these did not diminish over time as would normally be expected, and Bridport House residents have since 2011 reported a lengthy history of inconveniences and problems. More significant concerns emerged when cracks in the brick facades became evident, leading to investigations in 2017 after which WPHL accepted that they would repair the brickwork defects, but proposed a methodology and contract conditions that caused LBH Officers some concerns, leading to the appointment of a solicitor and architect to review them. The report of PRP Architects is set out in Appendix 3 (Exempt).
5. In March 2019, the Council’s appointed architects, when looking at the brickwork, identified the presence of an insulation material in the wall cavity that was of a type suited to use in construction generally, but limited to buildings under 18m due to its combustibility. The 8th-floor part of Bridport House exceeds this height, meaning that the use of this material could not have been compliant with Building Regulations, leading to an immediate concern for the safety of the building.
6. The issue of non-compliance has been rejected by WPHL on the basis that the building was signed off by Building Control. A review of Building Control records has revealed that they considered the construction of the building and took the view that the composite construction (i.e. looking at the fire safety of all elements of the walls, as a unit), although containing a non-compliant element, was

satisfactory overall, a view that the current Building Control team do not uphold, and would certainly not take today.

7. Deeper investigation into the building in summer 2019 identified the considerable extent of brickwork installation defects, and problems in other areas such as parapet roof, balcony fixings, cavity barriers, and confirmed that required replacement of insulation to make the building compliant with Building Regulations would require the complete removal of the brickwork facades, on all elevations (other than the North side, which is inaccessible following adjacent development – treatment of this entire facade as a single compartment has been identified as alternative means of making this safe, without requiring the removal of the brickwork).

#### **b) Interim fire safety**

1. Immediately following identification of potentially non-compliant insulation material, consultant experts in fire safety were appointed and confirmed that the safety of the building for ongoing occupancy could be assured, provided 24-hour fire wardens were put in place as an interim measure, and subject to a change in the fire evacuation strategy. Both measures were immediately implemented and remain in place today, as presented in the public meeting held in April.
2. The installation of a communal interlinked fire alarm system is planned within the next two months; this will enable the fire wardens to be safely stood down.

#### **c) Ongoing occupation of Bridport House**

1. Conversations about whether it is safe for residents to remain while work is carried out have been had with Officers of the Health and Safety Executive, and the London Fire Brigade, and advice has been sought from construction firms acting in an advisory/consultancy capacity and from the appointed technical support team (including solicitors, fire engineers, architects and structural engineers).
2. The overall clear view is that work should be undertaken on an unoccupied building for reasons of
  - Safety- building sites are intrinsically high risk environments, where there are significant challenges in ensuring safety in the face of constant changes including staffing, equipment / working practice, and physical environment. Additionally, at Bridport House, the planned building works involve increasing fire risk by temporarily removing a non-combustible brickwork facade of the building, and exposing the combustible materials beneath

- (i.e. both the insulation material and the underlying timber frame of the building)
- Resident comfort / disruption- e.g. loss of daylight (by scaffold wrapped in fire-retardant sheeting), significant noise and dust, cold homes due to loss of insulation, loss of use of balconies and gardens, lack of privacy, inability to open windows at certain stages etc..
  - Faster completion of works, and return to use
3. A Resident Information Pack specific to Bridport House has been developed and is attached as Appendix 1 to this report. The guiding principles behind this are recognition of the long history of inconvenience suffered by Bridport residents, and the Council's wish to treat them in as considerate a way as possible and to provide a series of bespoke options that go beyond the Council's normal policies, given the extraordinary circumstances of this situation. A dedicated and experienced rehousing team, alongside a specific management team, has been set up to support this work, which is estimated to take 12 months. The Council will be as flexible as possible in implementing these options, based on ongoing conversations and 1-1 meetings with residents, to ensure it best reflects their needs.

#### **d) financial and programme (timing) considerations**

1. Two firms of consulting contractors have been appointed to estimate the programme (works duration) and the likely costs of remediating the building. Based on an outline scope/specification of requirements, both firms agree on a works duration of slightly under 18 months (following unencumbered access to the site - i.e. after the last residents move out) and also agree on a cost estimate that, with contingency levels suitable to a refurbishment project plus allowances for professional fees, will lead to construction costs for the remediation of the defects in the building as indicated in Appendix 2 (Exempt). This figure is our best estimate, based on the low level of design information currently available, and informed by input from consulting contractors. It will be further developed and refined in the coming months, and is expected to eventually be informed by competitive tendering. It should be noted that the current general market uncertainty is being experienced in the construction industry as tendered prices exceeding pre-tender estimates (since contractors are pricing for risk and uncertainty including around Brexit).
2. The cost of remediation of the defects at Bridport House have been considered in the context of other possible options, including
  - a. Demolition and rebuilding on a like for like basis.

- b. Redevelopment of the site into a 70 unit development (all for social rented)
  - c. As b) above, but with a mix of 41 social rented (as at present plus 29 private sale units to help cross-subsidise the work).
3. A summary of these options is shown at Appendix 2 (Exempt), and confirms that the most cost-effective would be either the remedial works project as proposed in this paper, or option c), which has a number of significant disadvantages and risks. Therefore the conclusion of this comparison has been to validate the case for the proposed remedial works project.
4. In addition to the remedial works costs estimated above, there will be additional project costs yet to be finalised, but expected to include the costs of rehousing, loss of rent, legal and professional services and fees (included those associated with the cost recovery process) etc. The cost plan will be refined in the months to come, and it is expected that a full budget will be presented for formal approval as part of the procurement process for a main contractor.

#### **e) next steps**

1. It is intended that design and contractor procurement activities are carried out while the rehousing of residents is undertaken, with the intention of contractors being ready to take over the site once the last residents have moved out. The design process will result in a fully detailed design that will be let on a 'traditional' construction contract, which provides the best assurance of quality, since the areas in which costs could potentially be cut by an incoming contractor are minimised by the details having been specified. Any work will be subject to the governance, scrutiny and involvement of residents embedded in the Council's current approach to housebuilding, demonstrated in recent projects delivered by the Estate Regeneration Programme and Housing Supply Programme. This approach is very different to the Council's approach when Bridport House was constructed, and is widely recognised as best practice amongst peers in London. The eventual works will start after a brief contractor mobilisation period. The construction methodology (e.g. the order in which facades will be remediated) will be developed by the successful main contractor at the time of tendering.

#### **f) Equality Impact Assessment**

Care will be taken to ensure that residents with healthcare needs or other areas of vulnerability will be supported as sensitively and appropriately as possible- this will be a major area of focus for the dedicated Rehousing team.

### **g) Sustainability**

The council's sustainable procurement policy will be followed to the greatest possible extent, and contractors will be expected to demonstrate high levels of compliance with this policy in their tendering method statements.

### **h) Consultations**

There has been a strong focus on resident engagement and communications, with regular letters (often on a weekly basis) issued and on-site resident liaison officers since April, and via public meetings in April and August. There will be further ongoing engagement with residents as part of the procurement process to select a contractor and as the remedial works progress. This report makes the case for repair of the building, rather than redevelopment of the site for a number of reasons. The defects affecting the building are not structural, and the building is repairable and the estimated capital cost of remediation is significantly lower than the cost of redevelopment. All redevelopment options would also take significantly longer to bring to completion than the projected 18 month works timescale, and have a number of inherent and significant risks and disadvantages. Our intention is to bring Bridport House back into use at the earliest opportunity so that residents can return to their homes as soon as possible.

### **i) Risk Assessment**

A risk management process will be used to ensure that problems are anticipated. Immediate high level areas of risk that are identified, some of which have mitigation measures already in place include:

<b>Risk</b>	<b>Mitigating actions</b>
Failure to fully recover costs from WPHL	Appointment of litigation experts Accurate record of relevant expenditure maintained
The risk of discovery of latent defects (e.g. damage to CLT core), which is a characteristic of building refurbishments	Allowance of a cost contingency
Resident rehousing programme takes longer than planned	Clear policy on rehousing options Dedicated housing support team to assist residents in their choice and subsequent move



Tendered construction costs exceed expectations	A contingency allowance, and a highly detailed level of design, meaning that contractors do not have to include allowances in their pricing to cover themselves for areas of cost risk where design information may be lacking.
Risks to resident safety of a) fire, b) other defects (brickwork etc.) throughout the rehousing process	Measures already in place such as the fire wardens, closure of balconies and the proposed installation of fire alarm etc.

## 5 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

5.1 This report recommends that Cabinet approve remedial works to Bridport House and a Resident Information Pack that sets out the options to rehouse residents whilst the remedial works are undertaken. Bridport House was built as part of the Council's "Six Estates" regeneration programme which secured Social Housing Grant funding in 2009 under the Local Authority Newbuild Programme. Grant of £3.4m was received to fund the Bridport House scheme. This funding could be reclaimed if Bridport House was not repaired and the 41 social housing units not brought back into use.

The initial estimate for the remedial works to Bridport House are set out in Appendix 2 (Exempt) circa £6m based on the latest available information and expert advice. It is recognised that the estimate for the remedial works will change as the plans for the project develop; cost estimates will be revised as required.

5.2 There will also be costs incurred from rehousing the 41 families resident at Bridport House, these costs arise from, for example:

- Home loss payments – a compensation payment of £6,300 set by statute should a tenant opt for a permanent move
- Disturbance payment – to financially compensate tenants for the costs on moving both to the temporary home and back into Bridport House;
- Capital costs of bringing vacant accommodation units on regeneration estates up to a comparable standard to the tenants current home;
- Cost of the team to support residents throughout the process.

5.3 The estimate for the costs of rehousing the families is up to £2.5m; this cost is significant and is dependent on the choices of the tenants and their families. As the rehousing process moves forward and the tenant's wishes are known, the costs of rehousing will become clearer, estimates will be revised and the overall budget will be closely monitored.

5.4 It should also be noted that whilst the remedial works are ongoing and the tenants and their families from Bridport House are temporarily or permanently moved into General Housing Stock across the borough there will be additional cost pressure on the Temporary Accommodation budget as homeless households will be delayed from moving on to permanent homes. This cost is estimated at circa £800K for the duration of the three year project.

5.5 The cost of the remedial works and decant, will be built into the Housing Capital Programme going forward in line with the works programme outlined in section 4d above. Expenditure incurred in the current year will be funded from the Housing Capital contingency built into the 2019/20 capital budget.

## **6 COMMENTS OF THE DIRECTOR, LEGAL AND GOVERNANCE SERVICES**

6.1 With regard to regeneration schemes, the approval of delivery plans, funding arrangements within the budget strategy, and/or other documents setting out Council's proposals for residents affected by the schemes and structures for delivery are reserved to Cabinet under the Mayor's Scheme of Delegation (January 2017) so Cabinet is permitted to approve the recommendations in this Report concerning the rectification of the works at Bridport House.

6.2 Paragraph 2.2 i) of the Executive Procedure Rules states that "If the Elected Mayor delegates functions to the Executive, unless s/he directs otherwise, then the Executive may delegate further to.....an officer". Therefore, subject to the approval of Cabinet, the Group Director, Neighbourhoods and Housing , in consultation with the Mayor and the Cabinet Member, is permitted to agree any necessary changes to the rehousing offer to residents as set out in paragraph 3.3.

6.3 Further authority of the Council will be sought, in accordance with Contract Standing Orders, to progress the procurement of the rectification of the works set out in paragraph 3 when specific plans and details for such procurement are confirmed.

### **6A COMMENTS OF THE DIRECTOR, LEGAL AND GOVERNANCE SERVICES - EXEMPT**

These comments refer to privileged legal advice and are therefore contained in the exempt section of this Report (Appendix 4).

## **7. REASONS FOR DECISION**

The high level reasons for the recommended decisions are set out in section 4 above.

By way of summary:

Recommended decision	Summary justification
<p>Agree that remedial works will be undertaken to Bridport House to correct the defects identified with the original construction of the development.</p>	<ul style="list-style-type: none"> <li>● The building needs to be either fixed or redeveloped, quickly and cost effectively.</li> <li>● The prospect of redevelopment only makes sense if the building could not be fixed, or if there are potentially significant benefits above remediation, and this is not the case.</li> </ul>
<p>Agree the rehousing offer to residents (attached as Appendix 1), and that, in line with this, all residents of Bridport House will be provided with suitable alternative accommodation before remedial works are undertaken and to note that this procedure will be adapted and updated in line with ongoing conversations and 1-1 meetings with residents who live at Bridport House so we can ensure it best reflects their needs.</p>	<ul style="list-style-type: none"> <li>● Concern for the health and safety of residents, coupled with the significant and prolonged disruption of living on a building site requires that the building be fully emptied before the commencement of works</li> <li>● This will lead to the additional benefits of more efficient construction work, leading to a faster completion date and lower costs</li> </ul>

## 8. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The key aspects of this project for which alternative options were considered were

1. Whether it is essential that the building is emptied before remedial works can start
2. Whether to repair the building versus redevelop the site

The rationale behind the selection of the preferred options is set out in section 4 above.

### APPENDIX – NOT EXEMPT

Appendix 1: Resident Information Pack

### APPENDICES - EXEMPT

Appendix 2: Consideration of possible alternatives to remedial works

Appendix 3: Report on building defects by PRP Architects

By Virtue of Paragraph 3, Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains information

relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Appendix 4: Comments of the Director of Legal and Governance Services - Exempt

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