

Report to the Cabinet

Report reference: C/114/2005-06.
Date of meeting: 6 February 2006.



**Epping Forest
District Council**

Portfolio: Housing.

Subject: Springfields Improvement Scheme.

Officer contact for further information: Paul Pledger (01992 – 56 4248).

Democratic Services Officer: Adrian Hendry (01992 – 56 4246).

Recommendations:

(1) That an improvement scheme at Springfields, Waltham Abbey be undertaken, based on the menu of improvements recommended by the Project Team, following extensive consultation, as listed out below in the estimated sum of £4,033,000 inclusive of fees, as estimated by the Council's Consultant Quantity Surveyors:

- Over-pitched roof;
- Overcladding;
- Repairs to the existing structure;
- Improvements to the existing staircases, ramps and walkways;
- Boiler replacement;
- Windows, doors and cladding panels;
- Refuse arrangements;
- Drainage;
- Undercroft;
- Garage/Undercroft entrance areas;
- External lighting;
- Communications;
- Parking;

(2) That in view of the high leaseholder contributions and potential effect on the scheme, the Council offers to negotiate with each of the leaseholders to buy back their property, subject to a valuation undertaken by the Valuation Office;

(3) That leaseholders be given the option to remain in occupation after the sale and be given a secure tenancy, and that this be reflected in the valuation;

(4) That, where leaseholders elect not to sell their property back to the Council, the full cost of their proportion of the works be recovered in line with leasehold legislation, and an offer of a loan be made, payable over a maximum 10-year period in line with regulations;

(5) That, subject to recommendation (2), additional budget provision in the sum of £550,000 within the HRA Capital Programme for 2006/7 to purchase 6 leasehold properties where the leaseholders have indicated a preference for the Council to buy back their property be recommended to the Council for approval;

(6) That a representative of the Residents' Focus Group be invited to attend contractor interviews as part of the tender evaluation process, and their views be taken into consideration when appointing the contractor to undertake the works;

(7) That the form of contract for the works to be based on a standard JCT Partnering Contract, and that there be one contract let for the whole of the works;

(8) That the position in relation to professional fees up to and including the feasibility study, in connection with Structural Engineering services, Cost Planning

and Quantity Surveying services be noted;

(9) That Contract Standing Orders C5, C6 and C11 be waived in respect of seeking quotations for works in connection with Structural Engineering services, Planning Supervisor and Quantity Surveying services, and that the Head of Environmental Services be authorised to negotiate with John Pryke & Partners and the Council's Partnered Consultants, Stace, over their charges for their future professional fees, and that their fees be reported to the Cabinet at a later date for information, along with the tender report when completed; and

(10) That, based on the menu of works listed in Recommendation (1), a planning application be submitted by the Head of Environmental Services.

Report:

1. On 15 November 2004, the Cabinet agreed in principle to undertake a major improvement scheme at Springfields, Waltham Abbey, and a budget of £4 million was agreed within the Housing Capital Programme. It was also agreed that a consultation exercise with residents should take place and that the Council's in-house Engineering Services Group, within Environmental Services, undertake a feasibility design taking into account the views of the residents. The Cabinet was advised that a further report covering the following issues would be submitted for consideration at a later date:

- Results of residents consultation exercises;
- A list of design options, with indicative costs;
- A summary of all necessary professional fees;
- The form of contract proposed for the works;
- Leasehold issues, including estimated charges, statutory consultation and notices;
- EU procurement regulations and contractor selection;
- Planning permission requirements; and
- Approval to proceed.

Stage 1 Residents Consultation:

2. An initial survey was carried out in January 2005, with questionnaires sent to all 96 flats and maisonettes within the blocks planned for improvement. A further 200 properties within close proximity of the blocks were also consulted. This survey targeted issues including:

- | | |
|---|---|
| • Communal staircases and balconies; | • Security and the fear of crime on the estate; |
| • The provision of a lift; | • Parking; |
| • Rubbish disposal; | • Condensation, heating and ventilation; |
| • Street and estate lighting; | • Water penetration; |
| • Open spaces, landscaping and communal clothes drying areas; and | • Appearance of the blocks. |

3. As part of this survey, residents were asked to identify those improvements that they felt were most important. Residents were also asked if they would be prepared to join a Residents' Consultation Group.

4. Out of 96 surveys sent to the residents living within the blocks, 48 surveys were returned (50%) whereas of the 200 surveys sent to residents living in the surrounding areas, 42 surveys were returned (21%).

5. Residents within the blocks felt the main areas for improvement was the communal staircases and balconies, rubbish disposal (95%), condensation (24%), heating (81%), water ingress (55%), communal lighting (43%) and the general external appearance (90%). However, 59% of all residents identified parking as being in need of improvement

and around 72% of all residents said there were parts of the estate where they felt unsafe. With 33 % of residents living in the blocks in favour of a lift, 55% were not in favour.

6. To assist the Design Team work up the design, a Residents' Consultation Meeting was held at Brookways Hall, Waltham Abbey in the evening. All 27 residents who declared an interest in joining a Residents' Consultation Group were invited. However, only three residents attended.

Feasibility Study:

7. Taking account of the residents survey results and also the findings of a detailed structural survey and other studies of the blocks, the Council's in-house Engineering Services Group undertook a feasibility study, which resulted in 19 proposed design options being identified. A firm of Consultant Quantity Surveyors, Stace, was appointed by the Council to provide cost plan advice. Each of the 19 design options were costed taking into account the basic cost of the building works, preliminaries, overheads and profits, contingencies, and professional fees and charges. The costs were then inflated to take account of anticipated start on site date in the 3rd quarter of 2006.
8. A summary of the proposals with costs are listed below:

Proposal	Heading	Essential (E) or optional (O)	Est. all inclusive Cost £
1	New Roof (2 options)	(E)	£825,000
	Pitched Overroof		£689,000
2	Overcladding	(E)	£1,071,000
3	Maisonette Canopies	(O)	£60,000
4	Repairs to Building Envelope	(E)	£89,000
5	New Lift and Staircase Tower	(O)	£355,000
6	Improvements to Stairs, Walkways and Ramps	(E)	£240,000
7	Boiler Replacement	*	* £231,000
8a	Extract Ventilation	(E)	£224,000
8b	Stopcocks	(E)	£62,000
9	Windows, External Doors and Cladding Panels	(E)	£244,000
10	Refuse Disposal Compound	(O)	£90,000
11	Below Ground Drainage Replacement	(E)	£121,000
12	Additional Car Parking	(O)	£264,000
13	Undercroft Areas	(O)	£264,000
14	Garage Entrance Areas	(O)	£89,000
15	External Lighting	(O)	£129,000
16	CCTV	(O)	£57,000
17	Electrical and Gas Installations	(E)	£278,000
18	Communications cabling	(E)	£79,000
19	External Works and Landscaping	(E)	£283,000
Estimated cost of all 19 options, incorporating a new pitched overroof			£5,055,000
Estimated cost of all 19 options, incorporating a replacement flat roof			*£4,688,000

*If the roof is left as a flat roof it will not be necessary to renew the boilers

9. Whichever re-roofing option is considered, it was clear from the initial feasibility study that the cost of undertaking a scheme incorporating all design proposals was far in excess of the £4 million budget. Certain improvements are considered essential, such as those that fall within the Government's Decent Homes Standards.

Stock Options Appraisal:

10. In view of the anticipated overall cost of the improvements, the Council appointed a firm of consultants, Beha Williams Norman, to undertake a detailed financial analysis to compare the costs of the Council undertaking the works (the "retention option") with the costs of undertaking the works through a small scale stock transfer to a Registered Social Landlord (RSL). A number of scenarios were considered, including the Council retaining the stock and spending £4 million, paying a £2 million transfer dowry to an RSL to undertake all of the works and the Council paying a £4 million transfer dowry and an RSL undertaking all of the works plus undertaking additional improvements such as new kitchens and bathrooms.
11. The conclusion reached by Beha Williams Norman was that the retention option offers a longer financially sustainable position for the Council and its remaining stock. For example, based on the Council undertaking a £4 million improvement scheme, the HRA would go into deficit in Year 26 of the Business Plan, compared with the HRA going into deficit in Year 22, if a £4 million scheme was undertaken through a stock transfer.

Leaseholders:

12. There are 9 leaseholders within the blocks planned for improvement, each having a financial liability towards the cost of the works, based on the terms of their lease. Since the Government introduced the Right To Buy in the early 1980's, there have been two principal types of lease, that the Council has entered into the format of which is prescribed by law. The first of these leases, used up until 1996 does not allow the Council to recover the cost of works classed as improvements, and can only claim for repairs. However, the second and more recent form of lease permits the Council to recover the costs of both repairs and improvements, subject to repairs and improvements that are planned within a 5 year period of the date of the lease being notified to the lessee at the time the lease is entered into.
13. Taking into account the type and terms of each individual lease and the proposed works, the table below sets out the estimated individual leaseholder contributions for both a comprehensive scheme which includes all 19 options as listed above, and for the menu of works included in the recommendations of this report, based on a £4 million scheme. The leaseholders' contributions are reduced for the latter, as seen in the table below

Address	Property size	Lease date	Lease type	Estimated Total Contribution based on all 19 proposals £	Estimated Total contribution based on the menu of recommendations £
14 Springfields	1 bed	1999	New Lease	£50,406	£36,190
36 Springfields	1 bed	2003	New Lease	* £2,233	* £2,233
37 Springfields	1 bed	1996	New Lease	£50,046	£36,190
38 Springfields	1 bed	1989	Old Lease	£31,214	£26,941
49 Springfields	2 bed	1999	New Lease	£75,954	£55,310
71 Springfields	2 bed	1983	Old Lease	£48,286	£41,968
79 Springfields	2 bed	1987	Old Lease	£48,304	£41,985
88 Springfields	2 bed	1989	Old Lease	£48,304	£41,985
93 Springfields	2 bed	1989	Old Lease	£48,304	£41,985

TOTALS	£350,412.00	£286,364.00
---------------	--------------------	--------------------

** This property was sold in 2003, and at that time the range and cost of works were not known. As such, the scheme costs were not included within the 5-year estimates. In line with leasehold legislation the figure shown only includes the maximum costs that can be recovered should the work commence before 2008. If the work commences more than 5 years after the property was sold (i.e. after 2008), the contribution from this leaseholder would be £36,190*

14. As can be seen, with the exception of one lease, the overall contributions required from leaseholders are considerable, and almost certainly not affordable without individuals having to remortgage. Therefore, careful consideration needs to be given to whether or not options should be offered to leaseholders, and if so, what options.
15. Associated with this, it is important to note that, for certain improvements, such as the external landscaping, refuse disposal, car parking and improvements to the undercroft, it will be necessary to vary each of the leases to take account of any changes that may occur as a result of the improvements. In simple terms, this means obtaining consent from each leaseholder and any other interested party, such as their mortgage lender. However, from past experience elsewhere, not only is this particularly time consuming and requires a lot of negotiation, as the leaseholders are under no obligation to agree to the variation to the lease, they could prevent certain works from being undertaken if they are unhappy with the overall cost of their contributions.
16. As the Council has no previous experience of undertaking such a large improvement scheme with so many leaseholders and where the leaseholder costs are so high, Officers consulted with a number of other local authorities to establish how they manage similar high service charges. The outcome of the consultation exercise revealed that different local authorities offered a range of different options. The options are listed out as follows:
 - Offering the leaseholders a loan to spread the payments over a number of years;
 - Capping the contribution from leaseholders;
 - Not charging leaseholders for the works initially and putting a legal charge on the property to recover the costs when the property is sold; and
 - The Council buying back the properties.
17. Each of the leaseholders has been offered the opportunity to be consulted on a one to one basis to explore the options based on their individual circumstances. At the time of the Portfolio Holder Meeting, 7 out of 9 leaseholders have been consulted and of them, 5 out of the 7 have indicated a preference for the Council to buy back their property, with 1 not wishing to sell, but to pay for the works and one that remains undecided. Two leaseholders have so far decided not to take up the offer by the Council of one-to-one consultation.

Loans:

18. The Council is required by the Housing (Service Charges Loans) Regulations 1992 to give loans for the major repairs part of any service charge, in any one year, which is more than £2,085. The loan is for the part of the demand in excess of that amount. However, the regulations state that the loan is only available within the first 10 years of the lease being granted by the Council (which would exclude 6 leaseholders), and any loan taken out must be repaid over a maximum 10-year period. Currently, the maximum sum that can be loaned in £28,600. However, any loan repayments must be affordable.

Capping the Contribution for Leaseholders:

19. The Council has a duty to recover the cost of the works. However, legislation states that the Council has the option to cap the leaseholders' contribution for major improvements at £10,000. Based on the consultation exercise, some other local authorities have applied a

means test, similar to that used for the Disabled Facilities Grant. This takes into account the individual leaseholders circumstances and their ability to pay. However, such an approach could be discriminatory.

Placing a Legal Charge on the Property:

20. If leaseholders are not able to pay for their proportion of the works, in order for the Council to secure the costs of the works undertaken to each of the leaseholders properties, the Council could place a legal charge over the property so that the costs can be recovered when the property is sold in the future. However, this still does not ensure the Council will recover the money in the future, as the difference between the value of the property and the outstanding mortgage may not be sufficient to cover the debt. This option would also place the leaseholder at risk of not being able to obtain credit in the future, as they will have an outstanding debt against their property.

Buy-back Option:

21. There is currently no provision within the existing Housing Capital Programme to buy back any of the leasehold properties in the blocks. Therefore, the capital costs of purchasing the properties would have to be funded, and a valuation would have to be agreed with each leaseholder.
22. Based on a desktop exercise, as at November 2005, the Council's Principal Valuer & Estates Surveyor has valued each of the four 1-bed flats at between £80,000 and £85,000 and each of the five 2-bed maisonettes at between £88,000 and £93,000. Assuming the higher of these valuations, the maximum capital budget needed to re-purchase all of the properties would be around £805,000 (*Subject to a re-valuation by the Valuation Office*). However, during one to one discussions with each of the leaseholders, 6 leaseholders have expressed a preference to sell their properties back to the Council. One leaseholder did not want the Council to buy back, one has suggested they may take out a private loan for the works and one has elected not to take up the Council's offer to discuss the options. Based on the 6 leaseholders that have indicated a preference for the Council to buy back their property, the maximum Capital cost is likely to be around £550,000. If the buy-back option is agreed, to ensure the valuation is fair and reasonable, it is recommended that the Valuation Office be commissioned to undertake an independent valuation of each property to form the basis of any negotiations with leaseholders.
23. Should the leaseholders agree to sell their properties back to the Council, the Council would need to consider whether to give the leaseholders the option to remain in their property as a secure tenant. This would affect the value of the property, as the purchase of tenanted properties would have a lesser market value than properties sold on the open market by as much as a 50% reduction. According to the Council's Principal Valuer & Estates Surveyor, the value of a one bed tenanted flat is between £40,000 and £42,500 and for a 2-bed tenanted flat between £44,000 and £46,500. Therefore, based on the fact that 2 leaseholders have expressed an interest to remain in their home as a secure tenant, the maximum capital cost to the Council would reduce to £457,000.
24. Should the scheme go ahead based on the menu of options included in the recommendations, then according to the Council's Principal Valuer & Estates Surveyor, on completion of the works the value of a one bed flat with vacant possession will increase to between £85,000 and £95,000 and for a 2-bed flat between £93,000 and £103,000. Based on all 9 properties the overall increase in value would be between £45,000 and £90,000.
25. There are a number of advantages to the Council buying back the leasehold properties. These include:

- Reducing the risk of having to negotiate over any variations to the leases, although it would be necessary to negotiate over the value of the property;
 - The time it would take to buy back the properties would be far less than if the Council had to negotiate over variations to the lease. As this is the preferred option of the majority of leaseholders, it is likely to be a more straightforward option;
 - If the current owners do not become secure tenants, the properties could be let to people on the housing waiting list; and
 - If the owners become secure tenants, the capital cost to the Council would reduce.
26. The main disadvantages to the Council repurchasing the properties are:
- There is a significant capital cost to the Council to repurchase the properties, and there is not provision in the Housing Capital Programme to fund the repurchase; and
 - According to the results of the financial assessment undertaken by Beha Williams Norman, the council would not break even, taking into account expenditure against income, until Year 40.
27. Preferred option – Taking into account the views of each leaseholder and the recommendations of the stock options appraisal by the consultants Beha Williams Norman, it is recommended that financial provision be made in the Housing Capital Programme and that the Council negotiates with each of the leaseholders to buy back their property, subject to valuation by the Valuation Office, and that where leaseholders wish to remain in occupation and become a secure tenant, then this be reflected in the valuation and cost to the Council. Where leaseholders elect not to sell their property back to the Council, then the full cost of their proportion of the works be recovered in line with leasehold legislation, and the offer of a loan be made, payable over a maximum 10-year period.

Residents' Exhibition:

28. In order to assist the Project Team to identify savings within the programme of works to reduce the cost to £4 million it was important to gauge the views of the residents. Therefore a further Residents' Consultation exercise took place by way of an exhibition, again held on the estate at Brookways Hall. The exhibition was held over an afternoon and evening. Around 300 invitations were sent out and 27 residents attended, of which 25 were from the flats.
29. At the exhibition, residents were invited to see individual display boards for each of the 19 options. Each display board included a summary of the survey findings, the advantages and disadvantages, as well as overall costs for each option. Residents were asked to complete a survey form. The survey encouraged them to think about the challenges of prioritising improvements and working within a budget. Residents were given a list of improvements that were considered essential, and then asked to add any other improvements they would like to see included, adding up to a total value of £4 million.

Menu of Options - Recommendations of the Project Team:

30. Based on the findings of the various surveys to the blocks, the outcomes of the extensive resident consultation, the Project Team have listed out a number of recommendations. A summary of the recommended options is listed out below:
31. In addition to the list of options recommended for inclusion in the improvement scheme, a number of other improvements are to be undertaken in line with the current and ongoing Decent Homes Programme. These include new ventilation extract fans, kitchen and bathroom renewals and internal rewiring. These works are not included as part of the improvement scheme as these are all internal works and are subject to separate

programmes of work already budgeted for within the existing 5-year capital programme.

Recommended Option	Cost	Cumulative Cost
Pitched roof	£ 825,000	£ 825,000
Overcladding	£1,071,000	£1,896,000
Repairs to the structure	£ 89,000	£1,985,000
Walkways, balconies and ramps	£ 240,000	£2,225,000
Boiler replacements	£ 231,000	£2,456,000
Windows, doors and screens	£ 244,000	£2,700,000
Refuse	£ 90,000	£2,790,000
Pitch fibre drainage	£ 121,000	£2,911,000
Car parking	£ 5,000	£2,916,000
Undercroft	£ 264,000	£3,180,000
Garage undercrofts	£ 89,000	£3,269,000
External lighting	£ 129,000	£3,398,000
Electrical works	£ 278,000	£3,676,000
Communications	£ 79,000	£3,755,000
External works	£ 278,000	£4,033,000

32. Whilst most of the options do not need planning permission, certain changes, such as the introduction of a new pitched roof will. The Head of Planning & Economic Development has been consulted on the proposals and has no adverse comments to make on the design and would support any such planning application. It is therefore recommended that the Head of Environmental Services submit a planning application for the scheme based on the recommended options.

Form of Contract:

33. The budget provision of £4 million within the existing Capital Programme has been spread over three financial years, commencing on site in late 2006 or early 2007. However, it is anticipated that the contract works will be spread over a 24-month contract period, although as part of any tender process, the Council would seek from contractors an alternative contract period to explore any opportunities to complete the works earlier. These are important factors when considering the form of contract to use, as contractors rely on cash flow to maintain their business.
34. Normally, contracts are let on a fixed price basis whereby the contract sum is known and agreed at the beginning of the contract and the final costs are varied only by variations made to the specification, claims for extensions of time etc. Other options include a Fluctuating Price Contract, smaller separate contracts let on a block-by-block basis, a Management Contract, Design and Build Contract or a Partnering Contract. The advantages and disadvantages of each form of contract are set out below:

Standard fixed price JCT Form of Contract:

35. This is the most commonly used form of contract for this type of work. It is managed by the Contract Administrator, in this case the Head of Environmental Services, who is the only recognised person in the contract to be able to vary the works and agree any claims. As the control rests with the Contract Administrator, the cost and the quality of the works are more easily managed. There are however a number of disadvantages, particularly as the works are likely to be spread over 2 years and an anticipated start on site date in late 2006 or early 2007. These include the Contractor passing on his financial risks in a market that is very volatile, particularly in view of the proximity of the site to any future development as a result of the Olympic Games in 2012.

Standard JCT Fluctuating Price Contract:

36. A tender price is accepted at the beginning of a contract, which is increased (or decreased) each year of the contract using NEDO Indices for building and engineering works which reflect general increases and decreases in costs nationally.
37. The benefit of this approach is that the tender sum for the whole contract is known at the outset and an estimate can be made on the effect of the NEDO adjustment monthly or annually. The disadvantage is that the actual increases/decreases may be significantly different from the estimated, although the estimates can then be revised monthly or annually. This can be used in conjunction with a Standard JCT Form of Contract, and was the form of contract that was used on the Limes Farm Improvement Scheme.

Separate Contracts:

38. There are 5 blocks that make up the Springfields Improvement Scheme. Using separate contracts would mean five separate contracts being let, one for each block and phasing the work.
39. This approach has the benefit of being able to defer phases during the progress of the works if desired. However, an estimate for the whole scheme will need to be made at the outset, which is more susceptible to error, since the process will involve five separate tendering exercises. Economies of scale will be lost and the cost of the contractors potentially having to leave and return to site at each phase will be reflected in the tenders. This is not only inefficient, but is also a far more lengthy process and could lead to five separate contractors working on the site, which would not be consistent.

Construction Management:

40. There is no main contractor and numerous separate contracts are let at the appropriate times to those firms who would normally have been sub-contractors to the main contractor if there had been one. Either the Council or the Quantity Surveyor would plan, manage and co-ordinate the separate contracts.
41. The benefit of such an approach is that the main contractor's management costs and profit element are saved from the contract sums. However, the costs of management are not actually saved since they will be incurred by either the Council directly or indirectly through increased fees to the Quantity Surveyor. This approach was recently used on the repairs to the block of maisonettes at Limes Farm that was damaged as a result of a major fire. In this case it was the Council's insurers that recommended a Management Contract, and it was Stace, who are the Council's Quantity Surveyors appointed on this contract that were appointed to oversee the Management Contract. The Council's insurers stated that in their experience, that project was by far their best example of a management contract. As Stace are one of the Council's Partnered Consultants for the long term planned capital programme, there was an incentive to deliver the project to a high standard at a competitive cost, as their performance was being monitored against Key Performance Indicators determined as part of a separate contract.
42. The main advantage to this approach is that it is very flexible, and can be let very quickly. However, the main disadvantage is the fact that the out-turn cost of the works is not known from the outset of the contract.

Management Contract:

43. Where a contractor is appointed to manage individual packaged contracts on behalf of the Council. A disadvantage of this form of approach is that, once appointed, there is no incentive for any external Contract Management organisation to obtain best value for the

client as their fee is agreed in advance and is generally based on a fee percentage. If the costs go up, their fee goes up.

Design and Build Contract:

44. The responsibility for both design and construction passes to the main contractor. The advantage to this approach is that all of the risks are passed onto the main contractor, who fixes his price at the point of tender and then is contracted to deliver the scheme at that tender sum.
45. The disadvantage to this approach is that if the contractor experiences difficulties with the works, and forecasts a financial loss, he almost certainly will look to mitigate those losses by economising on the quality of materials and the standards of workmanship. This could be offset to a certain degree by putting more emphasis into the development of the brief prior to the tender process. Any Design and Build Contractor may also be reluctant to carry the financial risks for a 2-year period.

Partnering:

46. A form of non adversarial contract that is being used more and more in the construction industry, and is currently being used by the Council for a number of planned maintenance contracts, such as the kitchen and bathroom programme, rewiring, new heating installations and gas servicing.
47. The advantage of a partnering contract is that the costs are based on an open book arrangement, and the contractor's profits are agreed at the outset. Being a non-adversarial form of contract, risks are shared and each party to the contract works in co-operation. This would mean that the Contractor's skills and experience would be gained when finding solutions to any problems that may arise during the contract, rather than more traditionally the Contractor waiting for the Contract Administrator to consider the options and then vary the contract accordingly, after which the Contractor then pricing and assessing the impact on the contract period.
48. According to advice from the Council's Consultant Quantity Surveyors, there are no overt disadvantages in partnering so long as both parties fully understand and embrace the concept and application of the contract.
49. For Partnering Contracts, it is normal for Constructors to be appointed via a progressive process. Firstly tenders are sought on the basis of "Quality" and "Price" as part of a Pre-Construction stage submission. Normally, the Pre-Construction stage submission will assess price based on:
 - Level of overheads (expressed as a percentage) – this is fixed;
 - Level of profit (expressed as a percentage) – this is fixed;
 - Level of pre-commencement fee – this will include for the provision of Constructors resources for items such as partnering workshops, risk workshops, agreement of a maximum price, surveys, general meetings, property pilot works, etc – this is fixed; and
 - Proposed Construction phase preliminaries based on the known scope of works and anticipated programme – these are open to adjustment prior to a Construction stage order being given if the scope of the works or programme are re-defined during the Pre-Construction phase.
50. The above items are accepted at the Pre-Construction stage and do not fall under the open book heading. During the Pre-Construction Phase a pricing framework is agreed that summarises the scope of the works. The framework will generally be in two parts:

- (a) Known works; and
- (b) Provisional (risk) works.

51. The “known works” will be negotiated between the Council’s Consultant Quantity Surveyor and Constructor based on quotations, where time allows, or on historic cost data. The “provisional works” will form a risk “pot” for those works that may or may not be required. Once agreed, the “known works” become non-open book and the “provisional works” are open book.
52. Partnering also allows for an incentive scheme, whereby the Contractor has the opportunity to put forward innovative ideas on design and specification, which if acceptable to the Council and in doing so leads to a saving, then this is acknowledged by a sharing of that saving between the parties on a 50:50 basis.
53. Whichever form of contract that is used, it is recognised as best practice that as part of any major improvement schemes undertaken by local authorities and registered social landlords, residents become involved in the contractor selection process. This is generally in the form of interviews held as part of a tender evaluation process. This gives residents the opportunity to meet each of the contractors face-to face and question them about how they intend to undertake the works, which will be particularly disruptive when the work commences on site. It is therefore recommended that a representative of the Resident’s Focus Group be invited to attend any contractor interviews, and their views be taken into consideration when appointing the contractor to undertake the works.

Preferred Option:

54. After considering the advantages and disadvantages of each form of contract, and the advice received from the Council’s Quantity Surveyors, it is recommended that there be one contract for the whole of the works based on a standard JCT Partnering Agreement.

Appointment of Consultants:

55. At its meeting on 15 November 2004 the Cabinet agreed that the Head of Environmental Services be authorised to negotiate with John Pryke & Partners and the Council’s Partnered Consultants, Stace, over their charges for professional fees for Structural Engineering and Quantity Surveying Services up to and including the feasibility stage, and that their fees be reported to the Cabinet at a later date, along with the detailed feasibility study when completed. Set out below is the fee structure agreed for various services with each of the consultants. The table also includes the total sum of fees paid to each consultant on this scheme.

Consultant	Role	Scope of Appointment	Cost £
John Pryke & Partners	Structural Engineering	Preliminary report, inc. historic searches, investigation of building types, initial findings, etc..	£8,300
		Detailed report, looking at the proposals as developed by the Project Team.	£18,500
		Disruptive investigations, tests, etc	£8,510
		Works associated with the current relaying of gas mains by the statutory authority.	£617
		TOTAL	£35,927

Stace	Quantity Surveying	Preparation of cost plan	£5,000
		TOTAL	£5,000
Total cost of external consultants up to & including feasibility study			£40,927

56. The continuity of knowledge and advice from professionals engaged on a project is an important factor to the success of any scheme. With any construction project of this size and complexity there is a risk. One way of minimising risk is to maintain the services of those that have in the past provided a good quality service, have a depth of knowledge, particularly with Council procedures, and have a proven successful track record. Both Stace and John Pryke & Partners have long-term professional links with the Council, are both based locally and have successfully worked with each other in the past.
57. The effective management of any large construction project is all about managing risk and one way of minimising risk, is to maintain an effective and coordinated Design Team. The professional services provided to date, by both Stace and John Pryke and Partners on this project have been extremely thorough, and extensive knowledge and expertise of the issues faced by the project have been gained by each of them.
58. Therefore, it is recommended that Contract Standing Orders C5, C6 and C11 be waived in respect of seeking tenders for works in connection with Structural Engineering services, Planning Supervisor and Quantity Surveying services, and that the Head of Environmental Services be authorised to negotiate with John Pryke & Partners and the Council's Partnered Consultants, Stace, over their charges for professional fees, paying particular attention to the financial limits within EU Legislation, and that their fees be reported to the Cabinet at a later date, along with the tender report when completed. Charges for these future stages will require careful negotiation and agreement in order to ensure that value for money is maintained. If for some reason, acceptable terms cannot be agreed, a formal tendering process will be undertaken.

Statement in support of recommended action:

59. The report is particularly long and complex. However, it is essential that all aspects of the project be considered thoroughly in terms of financial risk, advantages, disadvantages, resident's views, structural survey data and management issues. The recommendations of the report flow from the outcomes of each option appraisal and consultation process, and all focus on the opportunity to deliver a comprehensive improvement scheme which will ensure the properties meet the Decent Homes Standard at an affordable cost to the Council.

Options for action:

60. The options for action are contained within the body of the report.

Consultation undertaken:

61. Extensive consultation with local residents. The consultation processes adopted so far are listed below:
- A local resident attends each meeting of the Project Team
 - A postal survey was conducted with all 96 properties within the 5-blocks of flats at Springfields as well as around 200 residents living in close proximity to the blocks

- A Residents' Focus Group was held at Brookways Hall, Waltham Abbey where 27 residents who expressed an interest in becoming involved were invited to attend.
- Scheme proposals were on general display at the Open Day held in the Waltham Abbey Sports Centre, and survey forms were available for comments.
- "Spring Forward" newsletters have been published and delivered to around 400 properties on the Springfields and Roundhills Estate.
- Officers have attended and given presentations to the Roundhills Residents Association on proposals.
- Officers have kept the Tenants and Leaseholders Federation informed of progress and invited comment on the proposals.
- Local Ward Members have been sent copies of all newsletters and survey forms, and have been invited to all public meetings to discuss the proposals
- An public exhibition was held at Brookways Hall, Waltham Abbey where design proposals and material samples were on display for residents to view and comment.
- Officers have met with individual Leaseholders on a one-to-one basis to discuss individual circumstances and options. This is in addition to normal leaseholder consultation in line with legislation

Resource implications:

Budget provision: Around £4,033,000 for the works from within the existing Capital Programme and subject to Full Council approval, an additional £550,000 being made available from within the HRA Capital Programme for 2006/7 for the buy-back option of the individual leasehold properties (*Subject to re-valuation by the Valuation Office*).

Personnel: N/A.

Land: Re-purchasing of 6 leaseholder properties.

Community Plan/BVPP reference: N/A.

Relevant statutory powers: Decent Homes Standards, Leasehold legislation, Housing (Service Charges Loans) Regulations 1992, Housing Act.

Background papers:

- Feasibility Design Brief
- Resident Survey forms
- Cost Plan prepared by the Consultant Quantity Surveyor
- Procurement options advice from the Consultant Quantity Surveyor
- Detailed Structural Reports from the Consultant Structural Engineer
- Other Technical survey reports relating to the blocks
- Stock Options Appraisal by Consultants Beha Williams Norman considering stock transfer
- Stock Options Appraisal by Consultants Beha Williams Norman considering leaseholder buy-backs

Environmental/Human Rights Act/Crime and Disorder Act Implications: N/A.

Key Decision reference (if required): N/A.