

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**

**CABINET MEETING – 19 JUNE 2014**

**REPORT BY THE LAURA JOHNSON, DIRECTOR OF HOUSING**

**GRENFELL TOWER MAJOR WORKS AND HIDDEN HOMES PROJECT**

This report seeks to update Cabinet on the progress and the ongoing programme for the major improvements works and Hidden Homes project at Grenfell Tower.

**FOR INFORMATION**

**1. INTRODUCTION**

- 1.1 This report seeks to provide Cabinet with an update as regards the major works and addition of seven Hidden Homes at Grenfell Tower on the Lancaster West estate.
- 1.2 Details of the progress so far and the proposed programme going forward are detailed and any known potential risks have been highlighted.

**2. BACKGROUND**

- 2.1 On 27 May 2004, Cabinet approved a development framework for the vacant basements at Elm Park Gardens. Permission was given for the shells to be developed into a mixture of affordable and market sale housing. Planning permission was granted in July 2006 and 23 flats were subsequently sold on the open market with an additional 13 affordable homes being developed.
- 2.2 On 24 March 2009 Cabinet subsequently approved the decision to begin marketing basement spaces with planning permission for development. Interest was very high and sales receipts quickly recovered the costs of the enabling works and affordable housing with predicted eventual receipts estimated at £13 million.
- 2.3 These receipts could be set aside for HRA use as under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 the proceeds from the sale of the basement spaces could be kept because the Council retains sufficient capital allowances to avoid pooling capital receipts from the sale of HRA non-dwellings. KCTMO were subsequently tasked with identifying the estate with the greatest immediate investment need.

- 2.4 In December 2011 KCTMO were asked to carry out an exercise to identify major investment needs on the estates which would help to regenerate the area and reduce the burden on the HRA. It was essential that the capital receipts from Elm Park Gardens did not just get absorbed into the capital investment programme.
- 2.5 Following extensive work, Grenfell Tower was identified as the asset on which the funding should be spent. A report approved by Cabinet on 2 May 2012 set out the details reasons for investment in this asset which included the need for replacement windows following the tragic death of a child due to faulty opening systems and significant issues with the heating and hot water systems. A decision was also made to include the re-provision of new premises for the Grenfell Under 3's Nursery and the Dale Boxing Club who have a long history at Grenfell Tower and are well supported by the local community. In addition, the proposed construction of the Kensington Academy and Leisure Centre (KALC) was going to significantly impact the north of the estate and redundant areas in the lower levels of the building offered the opportunity for new Hidden Homes. KCTMO provided an initial estimate of £6 million and consultation with residents in March 2012 produced overwhelming support for the proposals.
- 2.6 It was always the intention that KALC and Grenfell Tower projects would work closely together and, therefore, the same design team and consultants were appointed with the intention of procuring the same contractor to deliver continuity in design and cost savings where possible. However, there have been delays and an increase in budget with the Grenfell Tower project which has meant that the two sites are now being undertaken by different contractors with separate completion dates. In addition, as the sites are now being taken forward as separate projects there are boundary issues which are currently being explored details of which can be found in point 3.3.

## **2012 Procurement**

- 2.7 Following Cabinet approval in May 2012, a planning application for the work at Grenfell was submitted and the work was tendered. Leadbitter, the contractor for KALC submitted the most competitive tender at £11.2 million but this was significantly over the £6 million budget. As a consequence, considerable work took place with officers following the recommendations of the Architectural Review Panel which resulted in changes to the planning application. Value engineering with Leadbitters was ultimately unable to significantly reduce the costs and it was recognised that a new planning application and OJEU process would be necessary.

- 2.8 As a consequence of the procurement and planning issues in 2012, the project was unfortunately delayed as reviewing the design and value engineering took a number of months. Resident consultation was undertaken regarding the revised proposals which carried on throughout the first half of 2013. KCTMO endeavoured to update the residents of Grenfell Tower throughout this process but unfortunately the delays and the failure of the first tender process has caused a degree of dissatisfaction which the Project Team are working to resolve. Sentence about us dealing with discontent since 2012 is true, just not sure how it reads.
- 2.9 The final result of the revision of the planning application and value engineering work was a request to increase the project budget to £9.7 million. A report was approved by Cabinet on 18 July 2013 which allocated £6 million from the Elm Park Gardens receipts and a further £3.7 million from HRA working balances. This allowed KCTMO to submit the new planning application on 29 July 2013.

### **2013-14 Procurement**

- 2.10 The new planning application submitted on 29 July 2013 was approved on 10 January 2014 following the agreement of a Unilateral Undertaking for the required £72,413.30 s106 sums to be paid. Simultaneously an OJEU tender process was then carried out with 16 contractors submitting PQOs and five being taken forward to ITT stage. Rydon submitted the lowest tender at £9.2 million (exclusive of on costs) and KCTMO are confident that value engineering can bring this price within the £9.7 million budget.
- 2.11 For this £9.7 million the following work will be undertaken:
- Replacement of heating and hot water system for all properties within the Tower.
  - Replacement of windows with double glazed units.
  - Thermal cladding of the building.
  - Re-provision of premises for the nursery.
  - Re-provision of premises for the boxing club.
  - Re-provision of office space for the Lancaster West Housing Team.
  - Smoke/fire safety and ventilation works
  - Redecoration of the communal areas of the building.
  - Demolition of specific ramps and staircases to improve access through the site.
  - Associated environmental works
  - Delivery of seven new hidden homes in the lower areas of the building comprising of; 1 x 1 bedroom, 2 x 2 bedroom , 1 x 3 bedroom (wheelchair unit) and 3 x 4 bedroom flats.

2.12 A newsletter was sent to all residents of Grenfell Tower in April 2014 announcing Rydon as the project's contractor and arrangements are being made for Rydon's Resident Liaison Officer and KCTMO Resident Engagement Officers to have a site presence from the beginning of June 2014.

### **Grenfell Under 3's Nursery**

2.13 Grenfell Nursery is a long established provision serving Lancaster West and Henry Dickens Estates in North Kensington. They have traditionally operated crèche, childcare, and early years' education to local families, many from lower income families. The service is part of the Lancaster West Community Childcare Network (LWCCN). The Network provides childcare at other sites, children's centre services, and early years' education for 2, 3, and 4 year olds. They are a key provider in North Kensington and are supporting the Council to meet statutory requirements for early year's education and children's centre services. The nursery has been in occupation of their current premises for a number of years with no lease and making no rent payments. This was an unfortunate error and it is necessary for a lease and rent to be implemented for both the new premises at Grenfell Tower and the decant premises in accordance with the policy on managing HRA commercial stock.

2.14 For the duration of the works period, the nursery will be occupying the Resource Centre located within the estate at a rent of £15,500 – Still not convinced this is right as considerably smaller area than refurb nursery, has Sarah M evidenced valuation? per annum and the ability to offer 20 childcare places. A six month rent free period has been offered to allow the nursery time to work with Family and Children's Services (FCS) to develop a business plan as the nursery have stated they cannot currently afford to pay any rent at all. With a viable business model in place it is hoped that Grenfell Under 3's Nursery will be able to take up the lease at the new premises with a rent of £33,000 per annum. The new space will allow the provider to offer 40 childcare places and should be ready for occupation by August 2015. A lease has now been signed for the decant premises and a new lease would need to be signed prior to the occupation of the new premises.

2.15 It has been agreed that FCS will work with Grenfell Under 3's Nursery and by September 2014 it should be clear as to whether the nursery will be able to take up the offer of the new premises. If the current provider either cannot or choose not to take up the offer, FCS can begin the process of acquiring a new provider to make sure there is no disruption to childcare places in the local area.

2.16 Housing and FCS will continue to work together to ensure that there are no negative effects on childcare provision in the local area.

## **Dale Boxing Club**

- 2.17 The Dale Boxing Club currently occupy a space on the ground floor of Grenfell Tower. They have a 25 year peppercorn lease agreed by KDR on 8 March 1999 which the Royal Borough are obligated to honour. Therefore, a 25 year lease for the new premises is being offered with a peppercorn rent until 2024. The new lease will be signed prior to the occupation of the new premises. In addition, KCTMO will only be providing the boxing club with a shell as funding from Sports England will allow the club to fit out the area to their own specification.
- 2.18 In order to assist the club during the works period, a part of the disused car park at Lowerwood Court has been offered at a peppercorn rent. FCS have undertaken to pay the costs to make the space fit for occupation up to a maximum amount of £10,000 and Rydon expect to have the work completed by the end of May 2014. All of the required information for the legal paperwork has been collated and the necessary paperwork should be ready for signature by the end of May 2014. The boxing club will then be able to move during the early part of June 2014 and remain at Lowerwood Court until the Grenfell Tower works are completed.
- 2.19 Dale Boxing Club is an important part of the local community and FCS hope to work with them going forward to provide further opportunities for those in the area. Links have now been made with the FCS team and they intend to work with Dale Boxing Club over the coming month to develop an offer for the local community.

## **Leaseholders**

- 2.20 There are 12 leaseholders in the 120 flats at Grenfell Tower. During November 2012, a letter was sent from KCTMO to all leaseholders of Grenfell Tower stating that no recharges would be levied for the proposed work. This decision had been taken by the Royal Borough in August 2012 following consultation with Legal services. It was concluded that the majority of the work would be classed as 'improvements' rather than repairs and therefore outside of the scope of recharge according to the terms of the lease. There was the potential to recharge for a small number of items such as redecorating the communal areas, by the Council decided against this. Recharges would have amounted to less than £2,500 per leaseholder and the chance that there would be challenges through the Leaseholder Valuation Tribunal outweighed the potential benefits.

2.21 The submission of a new planning application and the second OJEU procurement process did not effect this position and there are currently no plans for any recharges to be applied at this project.

### **3. ONGOING PROGRAMME**

3.1 Further to the announcement of Rydon as the Grenfell Tower contractor in April 2014, work has been ongoing to value engineer the tender price of £9.2 mil to reach the total project budget of £9.7 million. KCTMO are confident that this figure can be reached and are currently investigating alternative cost options, including the following:

- Discussions with Planning are ongoing to agree cladding panels which will still offer the necessary thermal efficiency whilst offering a saving of £200,000.
- Minor alterations are being made to the landscaping specification which should deliver savings of approximately £100,000. This will not negatively impact the final result in anyway.
- The internal window surrounds are currently birchwood which is a very expensive material. It is proposed to replace this with an alternative panel which would generate saving of £110,000.
- KCTMO are awaiting confirmation of available Eco Homes funding which may be in the region of £100,000 to £200,000.

These savings should enable the project to be delivered within budget.

3.2 Due to the OJEU requirements it is necessary for KCTMO to enter into contract with Rydon at the tender amount. This would mean that KCTMO would be letting a contract at £10.1 million and then undertaking value engineering (as listed above) to reach the project budget amount of £9.7 million. There is a risk in this course of action but KCTMO are confident that the budget can be reached and that the necessary savings can be made. However, it is necessary to highlight this risk to Members and detail the mitigating actions being taken.

3.3 A further issue being explored at present is the red line boundary between the Grenfell Tower and KALC site. Due to the original proposal for both sites to be completed at the same time by the same contractor there is a degree of overlap in terms of landscaping. Furthermore, several of the areas which currently form part of the Bouygues (parent company of Leadbitters) contract for KALC would subsequently be used by Rydon and the landscaping work could potentially be damaged. To resolve this issue, meetings are taking place between Bouygues, Rydon, KCTMO and RBKC to identify these areas and find solutions. This is likely to involve a

very small part of the KALC landscaping within a few meters of the Grenfell Tower boundary being finished after the completion of the Grenfell Tower work. Once finalised the proposal would be taken to the Senior Reporting Officer for both KALC and Grenfell (Laura Johnson) for a decision to be made. Officers are aware of the budgetary constraints and the risk to the Council's reputation if this issue is not handled sensitively and sensibly. Rydon are aware of the importance of the KALC project and that it is absolutely essential that the project delivers on time.

3.4 Whilst there are undoubtedly ongoing issues to be addressed, there are several potential benefits which have been identified during the value engineering work. These are:

- It may be possible to create an additional two Hidden Homes by utilising the EMB rooms as office space for the Lancaster West Housing Team. The office space currently proposed within the Tower could then be used for 2 x 2 bedroom units. This option is still being explored with Planning but it is hoped that the additional units will be possible and delivered within the £9.7 million budget.
- If the EMB rooms are used as office space it may be possible to move the Estate Services Team into this building and transform the Estate Services office into a community room for local clubs and societies, resident groups and Councillor surgeries.
- Rydon intend to have a Resident Liaison presence for several weeks prior to the start of the demolition programme in late June 2014. They will try and make contact with all residents and both KCTMO and Rydon Resident Liaison Teams intend to make contact with the Lancaster West Tenant's Association to try and promote involvement.

3.5 Both Rydon and KCTMO are currently working to confirm the programme of work which will endeavour to cause minimal disruption to the KALC programme. Early indications are that work to demolish the ramp at the west side of the site near the old nursery premises would commence in late June 2014 with the internal work to the boiler starting in early July 2014. The scaffolding and mast climbers for the cladding and windows are likely to be installed in late July 2014.

3.6 Unfortunately, much of the internal work is likely to be loud and disruptive for the residents. Furthermore, the installation of the heating system and windows will require access to the individual flats for approximately five days. The Lancaster West Housing Team are aware of this and Rydon Resident Liaison Officers will do all they can to ease the process. In light of this, a respite flat is being

arranged, as well as a daytime respite area, and all residents will be informed and be invited to use the space.

#### **4. CONSULTATIONS**

- 4.1 Consultation for this scheme has been extensive involving open meetings, newsletters, drop in sessions and door knocking. All residents were consulted extensively during both the 2012 and 2013 planning applications and subsequent procurement processes and were given multiple opportunities to comment on the proposed work and materials.
- 4.2 In addition, residents were given the opportunity to be involved with the contractor procurement process. 2 residents were involved with the Prequalification Questionnaire review, and Fay Edwards, Chair of Lancaster West Tenants Association agreed to sit in on the interviews of the short listed contractors.
- 4.3 Regular newsletters are now being produced and Rydon intend to set up a series of drop in sessions and coffee mornings once they are on site. Housing Management have been asked to identify any potentially vulnerable households who may require additional support and KCTMO will make the necessary arrangements.
- 4.4 In the event that the additional two Hidden Homes units are viable, further consultation will take place with all residents and any other effected parties.

#### **5. LEGAL IMPLICATIONS**

- 5.1 **Comment from Legal required.**

#### **6. FINANCIAL AND RESOURCES IMPLICATIONS**

- 6.1 KCTMO have the staffing resources within their establishment to carry out this work.
- 6.2 **Comment from Finance required.** It is likely that the project will be deliverable within the £9.7 million budget but it would be good to identify where additional funds could be found if necessary.
- 6.3 6.3 Meeting with the worklessness co-ordinator due to understand any implications, and also Rydon run apprenticeship schemes.

#### **7. EQUALITY IMPLICATIONS**



7.1 Advice has been taken from the Council's Equality and Diversity Team as regards any possible equality implications. They have advised that there do not appear to be any issues.

## **8. CONCLUSIONS**

8.1 This report has sought to update Members on a significant capital programme and Hidden Homes project being managed by KCTMO and over seen by Council officers.

8.2 The Grenfell Tower project has been subject to several delays but Rydon have now been confirmed as contractor with a start on site date set for 2 June 2014.

8.3 Due to the OJEU process, the contract with Rydon has to be let at the tender price of £10.1 million. A value engineering process is ongoing and although KCTMO are confident the £9.7 million budget can be achieved, there is a risk the project will come in over budget. However, if this is the case there is also the possibility that two additional Hidden Homes may be possible in the proposed office space.

8.4 The Grenfell Tower project is mindful of the KALC scheme and the need for both the academy and leisure centre to be delivered on time. The boundary issues are being explored and a solution will be presented to the Senior Reporting Officer following the scheduled meetings between Rydon, BYUK and RBKC. Any risk will be mitigated as far as possible and the completion of the Grenfell Tower work will greatly enhance the local area and compliment the KALC project.

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**Appendix**

**A: Before and after photographs for Grenfell Tower**

