



# City of Westminster Cabinet Member Report

<b>Decision Maker:</b>	Cabinet Member for Housing Services – Councillor Andrew Smith
<b>Date:</b>	4 <sup>th</sup> April 2019
<b>Classification:</b>	General Release
<b>Title:</b>	Little Venice Towers, Warwick and Brindley Estate – Cladding Removal and Replacement
<b>Wards Affected:</b>	Westbourne Ward
<b>City for All</b>	Working with you to build a City for All by improving the place where we live and work
<b>Key Decision:</b>	Yes
<b>Financial Summary:</b>	Financial aspects of this project remain largely unchanged
<b>Report of:</b>	Jonathan Cooper – Senior Client Programme Manager

## 1. Executive Summary

- 1.1 This report seeks approval to change the key design proposals, previously agreed, from an A2 (limited combustibility) Aluminium Composite Material (ACM) cladding system to an External Wall Insulation (EWI) ‘rendered’ system, for the reasons set out within this report. This follows the request from the Cabinet Member to consult with residents on such proposals. The outcome of the consultation was extremely positive and wholly agreed with the suggested amendments, a summary is provided in paragraph 9 below.
- 1.2 Should the above be agreed, the Council need to be aware that some cladding materials have already been purchased, the total cost of materials is circa £750k. This cost currently forms part of the claim (via MHCLG) from the social sector cladding fund, therefore, it is thought that this element should be cost neutral. If for whatever reason, the cost of material is not covered, these costs would need to be met/ potentially written off by the Housing Revenue Account (HRA). In any event, the material to be written off may have resale value back through the supply chain.

- 1.3 CityWest Homes (CWH) will be liaising with the Greater London Authority (GLA) to update these costing and to establish whether the material cost can be met by central government, and to agree how any monies received from the resale of this material would be returned to central Government - communications on this issue will need to be carefully managed.
- 1.4 The new proposals should at least be cost neutral, current budget proposals suggest that the recommendations within this report may result in savings to the overall project.

## **2. Recommendations**

2.2 That the Cabinet Member for Housing Services:

- 2.2.1 Approves the decision to change the design proposals from the previously agreed strategy of the Alucobond A2 Aluminium Composite Material Panel (with mineral wool insulation) to an external wall render system (EWI)
- 2.2.2 Approves the decision to place an order under the Council's Term Partnering contract with Axis (Europe) Plc for the cladding works at a value in the region of £3.8million.
- 2.2.3 Notes the positive outcome of resident consultation on the proposed system change set out at paragraph 9 below.

## **3. Reasons for Decisions**

- 3.1 The new system proposed is completely non-combustible (Class A1) and not classed as a 'cladding system' therefore will not be subject to ongoing testing criteria, reviews and public scrutiny or queries associated with such systems. Furthermore, the new system is potentially cheaper, has a longer life-expectancy and could offer increased thermal comfort for residents.

## **4. Background of cladding solution**

- 4.1 On 17 May 2018, the Minister for Housing, Communities and Local Government (MHCLG) announced that a consultation into the use of combustible materials in the fabric of buildings would be undertaken. It was at this point CWH suggested that works be put 'on hold' until October 2018 when the outcome of the review would be known.
- 4.2 Since the identification of ACM panels at the six towers, CWH has been working with a specific project team to establish a suitable way of upgrading the existing cladding system to accommodate a new, higher specification, outer cladding panel (known as an 'A2' or 'Category 1 panel'). These upgrading works would involve the removal of the existing ACM Polyethylene (PE) 'Category 3' Panel, together with the aluminium track that it is attached to. This was planned to be replaced with new aluminium tracking system, and a new ACM A2 panel manufactured by Alucobond. Alucobond has provided evidence that this system has been tested to, and passed the BRE 135 testing that is currently being undertaken by the Government. It was also proposed to replace and upgrade all existing fire breaks (cavity barriers) contained within the cladding system itself. On 17<sup>th</sup> July 2018 at the Exova test centre in Dubai CWH (with

the project team) undertook 'full scale test', exactly as it would have been installed at the Little Venice towers.

- 4.3 Original timescales for the test results to be received were approximately six weeks (from 17<sup>th</sup> July 2018). The project team actively applied pressure to the supply chain to produce these, outlining concerns that the information has not been forthcoming. Final test results were received in December 2018, some six months after the test.

Whilst the system did pass the test, there were some design details which could have been improved upon. If the project were to have proceeded with this system, then a redesign would ideally have been undertaken. It would also have been recommended to retest the design.

- 4.4 The initial cladding proposal of the Alucobond ACM A2 panel was selected due to:

- The speed of turnaround – the existing brackets on the building could be retained, with the new panels simply fitted in place of the 'unsafe' panels. CWH had also built a working relationship with the panel suppliers, meaning that they were ready to place an order for the panel much before a number of other organisations. This meant all blocks could have been replaced in a matter of months (rather than years)
- The panel and insulation were low risk – The system was highly likely to meet future building regulatory amendments in that:
  - The whole system used 'limited combustibility' materials or higher and;
  - Had passed the 'full scale' BS:8414 / BR 135 testing
  - It was not reliant on any desktop studies (now no longer an option for building regulations approval)
- No planning implications – The new panels were an exact aesthetic match to the previous panels, by colour style and size. This meant no planning consultation would need to be undertaken
- Minimal disruption – The bracketry for cladding systems are usually diamond drilled in to the fabric of the building (some elevations alone have hundreds of brackets). These are very disruptive when installing as the noise will resonate throughout the whole block and adjacent blocks. The proposed system retained the majority of these brackets, therefore minimising disruption to residents
- More cost effective than other cladding systems e.g. such as terracotta tile type systems
- Less weather dependant than alternative solutions – As the system is mechanically fixed, it is not dependant on temperature parameters.

- 4.5 It should be noted, that when a holistic review of materials proposed to the six Little Venice Towers was carried out via report issued on 19<sup>th</sup> September 2017 to Westminster City Council (WCC), the following cons were identified:

- Product only classed as 'limited combustibility' (note that it still complies with building regulations without test data)
- Negative public view of ACM based materials

- Policy & Scrutiny committee independent expert raised this type of product (limited combustibility) as ‘a query’

4.6 Some months have passed since the initial proposals put forward by CWH, during which a number of industry wide and project concerns have been raised, most notably:

- An industry recognised expert consultancy had reportedly voiced concerns around the longevity and potential maintenance requirement of intumescent cavity barriers within cladding systems. These barriers are non-combustible and expand upon being subject to heat and are used in the currently proposed cladding solution.

The key concern is that the barriers may not perform as expected after a 20 year life span. The suggestion appears to be that ‘open’ cavity barriers like these should be avoided where possible, not least for the work required to replace barriers at the end of their usable life. This is a significant issue for the majority of cladding systems as they will generally rely on having an open void (cavity) to afford ventilation to prevent condensation within the system. The originally suggested system to the six Little Venice towers proposed a similar cavity barrier system

- On 18 June 2018, the MHCLG released the consultation paper titled ‘*Banning the use of combustible materials in the external walls of high-rise residential buildings*’. This aligns with the suggestions outlined in the Government announcement on 17 May 2018 that it would look to review combustible cladding. The Rt Hon James Brokenshire MP Announced on 2 October at the Conservative Party Conference that the Government will ban the use of combustible materials on buildings over 18 metres. Whilst the finer detail of the ban is not yet known, it appears to suggest that both A1 (non-combustible) and A2 (limited combustibility) materials are acceptable. It is noted that there has still been concerns, particularly from Grenfell United and similar organisations that the decision should be reconsidered to exclude A2 (limited combustibility) materials.
- Concerns that the full scale test commissioned by CWH/WCC had not performed ‘as expected’. Test result aside, CWH is of the view that more could be done to improve the fire safety performance of the façade system.

4.7 Given the additional time afforded by the Government review, CWH have also been exploring other design options, specifically external wall insulation (EWI) effectively a rendered system with no cavity (unlike most traditional cladding systems).

4.8 These systems are generally classed as fully non-combustible and are not subject to the same testing criteria as that of a ‘cladding system’. This option may in fact be cheaper (than the proposed cladding system), even when including the cost for the supply of some of the cladding materials e.g. the outer panels, however this is to be confirmed, as well as installation times and impact on residents.

4.9 CWH note that the system does of course have both pros and cons, hence otherwise it might have been selected in place of the original proposals, and these are identified in the table below:

Table 1 – Pros and Cons of EWI system over ACM Cladding system

<b>Pros of EWI system</b>	<b>Cons of EWI system</b>
System is constructed fully of non-combustible material	Planning implications and timescales associated with planning approvals prior to installation
System does not require any form of cavity, negating any risk of fire spread behind the system and requirement for cavity barriers	Some may suggest that the look of a rendered building is less aesthetically pleasing than other solutions
The system is not subject to the same testing regimes as traditional cladding systems (as there is no cavity) and therefore a symbolic movement away from cladding	The rendering part of the system is a 'wet trade' this means that it can only be installed at certain temperatures e.g. 5 oC and rising preventing installation during the winter months
A system is available that can provide a life expectancy of up to 60 years	Timescales for installation are less firm due to the potential for weather related delays
System can be 'self-coloured' to negate the need for any decoration and to minimise future maintenance	Those leaseholders that contributed to the original system may class this as a 'cheaper' alternative therefore may contest the new system
It will allow the Council to align their fire strategy with neighbouring councils such as Kensington and Hammersmith & Fulham (who will only use non-combustible materials on their high-rise buildings).	
There would be no need to await the outcome of the Governments review. This would allow work to be planned and progressed, subject to weather restrictions noted above	
Potential to increase the thermal insulation within the blocks because of increased insulation	

4.10 The pros appear to outweigh the cons listed above and it is for this reason that CWH now proposes that the council explore the use of EWI as the preferred solution for the six Little Venice tower blocks. The next steps following this decision will be for CWH to develop detailed feasibility plans for the use of EWI.

## 5. Financial & Programming Implications

5.1 The current expenditure and funding for these works have been incorporated in to the HRA business plan being submitted to Cabinet in February.

5.2 The funding is to be paid to WCC in two stages:

Stage 1 (current stage) – Building owners must provide initial information and cost estimates as part of the first stage of the process. Upon satisfactory provision of information, 80% of eligible costs will be paid. This equates to £5.322m

Stage 2 – This is the final 20% and will only be paid once the final costs of qualifying works are known. This equates to £1.331m

It should be noted that this grant funding sum is not final; costs can be adjusted, within reason (up or down) at a later date provided that they are fully justified. These would be reflected in the stage 2 payment.

5.3 CWH applied for grant funding based on the initial agreed strategy of the Alucobond A2 cladding system. Whilst the alternative EWI solution is being explored, CWH do not forecast a significant change in the funding requirement. This comparison in costs is detailed in the table below. Currently the proposed budget for the EWI system is £261k less than that applied for, if the final costs are in line with these costs, the claim from the GLA will be adjusted to suit.

Note – the central column is a summary of the costs applied for, a more detailed breakdown of these costs is included at appendix one. Appendix one differs in headings as these are the categories provided in the grant process, categories below are directly reflective of an earlier Cabinet Member report:

5.4 Estimated costs and financial implications have been previously agreed for these works as part of the GLA remediation funding report dated 30<sup>th</sup> January 2019 and approved by the Cabinet Member on 8<sup>th</sup> February 2019. The total project cost applied for under the grant funding was £6,652,597.00. It is noted however that c.£2.8million of this funding is monies already spent during the removal process of the previous cladding system.

5.5 Some materials have already been purchased (including new panels identified on table 2 below). With a change in design, the cost of these materials may not now be covered by the GLA funding. These costs will therefore be an unbudgeted cost to the HRA. In order to try and mitigate this pressure, the material(s) may have resale value back through the supply chain. The value of these materials is £750k so this is the HRA's maximum exposure.

5.6 Resale of these materials is the only available mitigation to the unbudgeted cost. There are no specific conditions within the contract to enable return of materials and these have also been modified (painted) making return more unlikely. The HRA will therefore incur a sunk cost which potentially will not be recovered.

- 5.7 The cost impact will be incurred within 2018/19 as these materials have already been purchased. Whilst the HRA can contain this level of expenditure, there will be a corresponding reduction in overall reserve balances. If the materials are to be held as ongoing inventories or for possible resale, their value may be impaired due to them being used goods.
- 5.8 CWH will be liaising with the GLA via the open projects system (OPS) to update and establish whether the material cost can be met by central government, and to agree that any monies received from the resale of this material, would be returned to central Government – the CMH will be updated accordingly as more certainty around the situation is known.

Table 2 – Financial breakdown of project

ELEMENT	INITIAL CM COST APPROVAL	COSTS APPLIED FOR UNDER GLA GRANT	NEW EWI ESTIMATED VALUE
Ground Surveys	£ 12,058	£ 12,058	£ 12,058
Access Costs	£ 615,881	£ 1,196,363	£ 1,496,363
Cost of New Panels	Included below	Included below	£ 583,991
Cost of 50% of Other materials	Included below	Included below	£ 120,000
Works block costs	£ 3,783,900	£ 3,738,900	£ 2,013,342
Additional design costs (provisional)	-		£ 60,000
Contingency works costs	£ 165,000	£ 120,525	£ 235,000
Weekend Working & other additional costs	£ 30,000	£ 101,530	£ 151,530
Full scale test of system	£ 30,000	£ 54,807	£ 54,807
Fire stopping works externally	£ -	£ 112,240	£ 112,240
Option for 60 yr guarantee to EWI	£ -	£ -	£ 250,000
Planning Application costs	£ -	£ -	£ 7,500
Measured Works Sub Total	£ 4,636,838	£ 5,336,423	£ 5,096,831
Prelims (Provisional sum)	£ 410,000	£ 821,174	£ 821,174
<b>TOTAL</b>	<b>£ 5,046,838</b>	<b>£ 6,157,597</b>	<b>£ 5,918,005</b>
Framework Central Overheads (8%)	£ 403,747	£ 495,000	£ 473,440
Framework Profit (2%)			£ 118,360
<b>TOTAL CONTRACT WORKS</b>	<b>5,450,585</b>	<b>£ 6,652,597</b>	<b>£ 6,509,806</b>
PROFESSIONAL FEES (PROV SUM)	£ 400,000	Inc	Inc
CABINET MEMBER SIGN OFF	£ 5,850,585	£ 6,652,597	£ 6,509,806

Programme of this project is as follows:

Table 3 – Project milestone programme

PROJECT STAGE	DATE
CMH Approval of Strategy	22 <sup>nd</sup> March 2019
Completion of Client Brief	22 <sup>nd</sup> March 2019
Project Board Sign Off(internal governance)	9 <sup>th</sup> April 2019

Programme Board Sign off (internal governance)	9 <sup>th</sup> April 2019
Capital Programme Delivery Team Handover	10 <sup>th</sup> April 2019
<b>Payment of 80% sent to WCC</b>	<b>Before 31<sup>st</sup> March 2019</b>
Commencement of design to establish: <ul style="list-style-type: none"> <li>• Access</li> <li>• Calculations</li> <li>• Application of system</li> <li>• Programme</li> <li>• Resident consultation</li> </ul>	6-8 week programme April – June 2019
Planning application submitted	May 2019
Pilot installations installed at Wilmcote House	May 2019
Service Provider Proposals	June 2019
Internal review and commencement order	June 2019
Planning application approval	July 2019
Start on site – Wilmcote House & Princethorpe House	July 2019 (Completion in September 2019)
Start on site – Blocks 3&4	August 2019 (Completion in October 2019)
Start on site – Blocks 5&6	September 2019 (Completion in November 2019)
Project completion	December 2019
<b>Payment of remaining 20% sent to WCC</b>	<b>February 2020</b>

**Note – Due to the nature of works, completion dates are wholly weather dependant**

## 6. Legal Implications

- 6.1 The proposal set out in the report is to use Axis (Europe) PLC for the delivery of works to install the EWI rendered system. As it is stated to be a 10 year Term Partnering Contract, presumably the Council awarded the contract to Axis following an EU compliant process. In those circumstances, the proposal to call off under the Term Partnering Contract, provided it is done in accordance with the contract will not breach EU procurement rules under The Public Contract Regulations 2015. Any contractual arrangements with Wates in relation to these works must be terminated before the Council calls off under the Term Partnering Contract with Axis.

The Council's own Procurement Rules require that the Cabinet Member approves any award of a contract with a value of over 1.5m and this report satisfies that requirement.



## **7. Procurement Implications**

- 7.1 There are no procurement implications associated with these recommendations. Axis is now a term partnering contractor of WCC for a 10 year period, for the delivery of major works.

## **8. Staffing Implications**

CWH confirm that there will be no staffing implications in relation to the works outlined within this report.

## **9. Consultation**

- 9.1 Consistent with the commitment to resident involvement, a consultation exercise has been undertaken by CityWest Homes surrounding the options regarding the replacement of insulation to the six high-rise buildings across Warwick and Brindley estates.
- 9.2 All residents were provided with detailed information packs and invited to a meeting on Thursday 31 January 2019. The meeting was held onsite, at Warwick Hall, where officers were available to answer questions, and show residents examples of the options available.
- 9.3 Resident's views were recorded at the meeting and over the following weeks. Further communications were sent to residents, following the meeting, including question and answer sheets, a newsletter, emails and text messages; all calling for feedback on the proposal by 15 February 2019.
- 9.4 All resident feedback (22 respondents) was in support of the recommended option.
- 9.5 In addition to feedback on the proposals for insulation, some leaseholders expressed their belief that the council should pay for new front flat entrance fire doors for their properties, due to the unacceptable quality of other works carried out previously
- 9.6 A local ward Councillor update was provided on 23<sup>rd</sup> January 2019. No feedback, response or questions were raised in relation to the update.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact:**

*Jonathan Cooper, Senior Client Programme Manager*

*CityWest Homes*

**BACKGROUND PAPERS:**

*Cabinet Member Paper issued on 19<sup>th</sup> December 2017 titled 'Little Venice Towers – Cladding Removal & Replacement'*

*Cabinet Member Paper dated 30<sup>th</sup> January 2019 titled 'Little Venice Towers, Warwick & Brindley Estate – Receipt of ACM (Cladding) Remediation Funding'*

*NB: For individual Cabinet Member reports only*

For completion by the **Cabinet Member for Housing Services**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed:

Date:

NAME: Councillor Andrew Smith, Cabinet Member for Housing Services

State nature of interest if any .....

*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendations in the report entitled **Little Venice Towers, Warwick and Brindley Estate – Cladding Removal and Replacement** and reject any alternative options which are referred to but not recommended.

Signed .....

Councillor Andrew Smith, Cabinet Member for Housing Services

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy and Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.