



Mayor and Cabinet

Building for Lewisham Budget Requirements - Edward Street and Home Park Update

Date: 6 July 2022

Key decision: Yes

Class: Part 1

Ward(s) affected: Bellingham, New Cross Gate

Contributors: Executive Director for Housing, Regeneration and Public Realm, Executive Director of Corporate Resources and Director of Law, Corporate Governance and

Outline and recommendations

It is recommended that Mayor and Cabinet:

Notes the updates on the schemes at Home Park and Edward Street following the main contractor Caledonian Modular Ltd (CML) entering administration;

Notes the options considered by officers following CML entering administration;

Approves the recommendation to negotiate a Pre-Construction Services Agreement (PCSA) with the JRL Group to proceed with the necessary remedial work on the modules and on site works at Home Park and Edward Street to prepare both the modules and sites for assembly;

Delegates authority to the Executive Director for Housing, Regeneration and Public Realm in consultation with the Executive Director for Corporate Resources and Director of Law, Governance and Elections to approve the terms of and to enter into the PCSA subject to it being within the parameters as set out in the accompanying Part 2 report;

Notes that, subject to the approval of the recommendations at 2.3 and 2.4, that officers will work towards entering a main contract for completion of the two projects with this being presented to Mayor and Cabinet in the autumn for approval;

Approves the recommendation to extend the appointments of the consultant team to provide the support required to deliver the remedial works and site works; and

Approve the associated budgets as set out in the accompanying Part 2 report.

Timeline of engagement and decision-making

Mayor and Cabinet, 11 July 2018 - New Homes Programme

Mayor and Cabinet, 10 October 2018 - PMH Programme Update & Procurement Strategy

Mayor and Cabinet, 15 January 2020 - Building for Lewisham Programme

Mayor and Cabinet, 11 March 2020 – Precision Manufactured Homes Programme Procurement Part 2

Mayor and Cabinet, 8 July 2020 - Building for Lewisham Update

This report is a Key Decision, therefore any decision will be subject to scrutiny

1. Summary

- 1.1. Following the launch of the Building for Lewisham (BfL) programme in January 2020, and building on the previous New Homes Programme, Lewisham Homes have been the Council's direct delivery partner building new Council homes.
- 1.2. The BfL programme has adopted a mixture of construction methods to deliver the new homes. Most of the programme is being delivered through traditional building methods, but following the success of the PLACE Ladywell project, two projects in the programme are being delivered through modern methods of construction (MMC), namely homes being built in a factory and then transported and assembled on site. The projects are at Home Park in Lower Sydenham and Edward Street in Deptford.
- 1.3. Following a competitive process, Caledonian Modular Ltd (CML) were selected as the main contractor for both projects. Lewisham Homes entered into contract with CML in August 2020 and work commenced on building the modules in the CML factory as well as works on the individual sites to prepare them for the delivery and ultimate assembling of the modules.
- 1.4. In March 2022, the Council were informed that CML had entered administration. Since then, officers have been reviewing options for the projects and this Part 1 paper sets out the options considered and recommends that the projects continue, setting out the next steps for continuation through a Pre-Construction Services Agreement (PCSA) with the JRL Group who have purchased the former CML factory.
- 1.5. Subject to the approval of the recommendations in these reports, officers will work towards entering a main contract for completion of the two projects with this being presented to Mayor and Cabinet in the autumn for approval.

- 1.6. The accompanying Part 2 paper sets out the budget position and requirements for the projects. This information is considered commercially sensitive.

2. Recommendations

- 2.1. Notes the updates on the schemes at Home Park and Edward Street following the main contractor Caledonian Modular Ltd (CML) entering administration;
- 2.2. Notes the options considered by officers following CML entering administration;
- 2.3. Approves the recommendation to negotiate a Pre-Construction Services Agreement (PCSA) with the JRL Group to proceed with the necessary remedial work on the modules and on site works at Home Park and Edward Street to prepare both the modules and sites for assembly;
- 2.4. Delegates authority to the Executive Director for Housing, Regeneration and Public Realm in consultation with the Executive Director for Corporate Resources and Director of Law, Governance and Elections to approve the terms of and to enter into the PCSA subject to it being within the parameters as set out in the accompanying Part 2 report;
- 2.5. Notes that, subject to the approval of the recommendations at 2.3 and 2.4, that officers will work towards entering a main contract for completion of the two projects with this being presented to Mayor and Cabinet in the autumn for approval;
- 2.6. Approves the recommendation to extend the appointments of the consultant team to provide the support required to deliver the remedial works and site works; and
- 2.7. Approve the associated budgets as set out in the accompanying Part 2 report.

3. Policy Context

- 3.1. The Council's Corporate Strategy (2018-2022) outlines the Council's vision to deliver for residents over the next four years. Building on Lewisham's historic values of fairness, equality and putting our community at the heart of everything we do, the Council will create deliverable policies underpinned by a desire to promote vibrant communities, champion local diversity and promote social, economic and environmental sustainability. Delivering this strategy includes the following priority outcomes that relate to the provision of new affordable homes:
 - Tackling the Housing Crisis – providing a decent and secure home for everyone
 - Building and Inclusive Economy – ensuring every resident can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 - Building Safer Communities – ensuring every resident feels safe and secure living here as we work together towards a borough free from the fear of crime
- 3.2. Lewisham's Housing Strategy (2020-2026), includes the following themes that relate to the provision of new affordable homes:
 1. delivering the homes that Lewisham needs.
 2. preventing homelessness and meeting housing need.
 3. improving the quality, standard and safety of housing.
 4. supporting our residents to live safe, independent and active lives.
 5. strengthening communities and embracing diversity.

4. Background

- 4.1. The schemes at Home Park and Edward Street are Precision Manufactured Homes

(PMH). These are homes that are built offsite in a factory and then delivered to the site for assembling and final fix of services. PMH is considered a form of Modern Methods of Construction (MMC).

- 4.2. The Council has been at the forefront of PMH homes in the sector having delivered the award winning PLACE Ladywell building in 2016. The building provides 24 x two bedroom temporary homes and commercial space.
- 4.3. The schemes at Home Park and Edward Street build on the Council's legacy of providing good quality PMH homes. Whilst the Council has experience in providing PMH homes, the use of PMH to deliver affordable housing is still relatively new within the sector and the market for providing PMH has evolved since the PLACE Ladywell project was delivered. In recognition of the extra risks that providing PMH homes presents, the GLA have provided the Council with grant funding under their Accelerated Construction Fund for the Home Park scheme. As part of the grant agreement with the GLA, the Council and Lewisham Homes are to host a 'lessons learnt' session with the GLA and boroughs across London to present the benefits and issues of using PMH to deliver housing. This work is currently on hold due to CML entering administration.
- 4.4. There had already been some unexpected delays and costs to both schemes which has unfortunately resulted in delays to the programmes. Officers were preparing to present a report to Mayor and Cabinet in March 2022 on these when we were informed that CML had entered administration.
- 4.5. The report was withdrawn whilst officers considered the impact of the administration and explored the options for the future of the projects.
- 4.6. On 1 April 2022, the JRL Group purchased the assets of CML but not the business. This created a 'phoenix company' which is known as JRL Caledonian. These assets do not include the completed modules which are owned by Lewisham Homes/Council – although they do require remedial work.

5. Options explored

- 5.1. Since being informed of the CML administration, officers have been working with the consultant team which includes Arcadis, Metropolitan Workshop and Winckworth Sherwood to explore the options available for the future of the projects including the potential financial implications for each. These additional works by the consultants were not part of the original brief and budget and there is insufficient on-cost contingencies for this work. Therefore an additional budget is required. Officers recommend the continuation and extension of contracts for the consultant team to provide their expert advice. The details of the forecast budget required are contained within the accompanying Part 2 report.
- 5.2. A number of options have been considered to resolve the situation on the two schemes. Broadly, the options considered are:
 - Abandon the modules and either build the projects using traditional methods or dispose of the sites to recoup some of the expenditure.
 - Continue with the projects with JRL Caledonian, other contractors or a combination of both.
 - Review funding arrangements to best meet the projected cost increases.
 - Review the tenure mix to improve viability.

Abandonment

- 5.3. Officers have dismissed the options that would see the modules abandoned. The

financial impact (as set out in the Part 2) would be considerable and include the returning of GLA grant, but the overriding factor is that to abandon the modules would mean that 65 much needed homes would not be delivered. The project at Edward Street is set to deliver 34 high quality homes for temporary accommodation let to households who would otherwise be homeless. There is set to be 14 two bed homes and 20 three bed homes. The project at Home Park will deliver 31 new high quality, genuinely affordable homes for rent made available to residents on the Council's Housing Register. There are going to be 8 one bed homes, 16 two bed homes and 7 three bed homes. Both projects will also be providing commercial space to let.

Continuation

- 5.4. Continuing with the projects is considered the best outcome and officers have been concentrating efforts on how this can be achieved with the minimum impact on the programme for delivery and minimum impact on budgets.
- 5.5. The options for continuation are:
 - Negotiate and enter into a new main contract with JRL Group.
 - Negotiate and enter into a new main contract with another company or consortium of companies from a recognised framework.
 - Directly manage the construction through individual packages of work.
- 5.6. All of the above options remain open and will remain open until a decision is made by Mayor and Cabinet in the autumn when contract negotiations are complete and officers will be able to present finalised positions.
- 5.7. In the meantime, it is recommended that Lewisham Homes enter into a Pre-Construction Services Agreement (PCSA) with the JRL Group to proceed with the necessary remedial work on the modules and on site works to ready for module assembling including utility diversions, highways enabling works, substructure works and water/telecoms supplies.
- 5.8. The benefits of working with the JRL Group is that they have re-employed the CML workforce thereby retaining the knowledge of the build system, they own the factory where the modules are also stored, they have the components for the modules and the knowledge and rights to the designs.
- 5.9. It was already known when CML were still active that the modules required some remedial work. The full extent of the remedial work is not yet known. JRL are in the process of conducting a general condition survey of the modules and an intrusive survey of a pilot module. As work that was required regardless of the CML administration, the contingency budget on the main CML contract is being used for this work.
- 5.10. When completed these surveys will inform the final cost and programme for the recommended PCSA with the JRL Group. In the meantime, the Employers Agent (EA) Arcadis have been asked to assess the budget requirements for each scheme and these are set out in the Part 2 report. It is recommended that Mayor and Cabinet delegates authority to the Executive Director for Housing, Regeneration and Public Realm in consultation with the Executive Director for Corporate Resources and Director of Law, Governance and Elections to approve the terms of and to enter into the PCSA subject to it being within the parameters as set out in the accompanying Part 2 report.
- 5.11. As well as the benefits outlined in 5.8, an additional benefit of the recommended approach is reducing the impact on the delivery programme. The works to the modules and the sites is required regardless of the ultimate option due to be recommended to Mayor and Cabinet in the autumn. Entering a PCSA in advance of a main contract means that works can re-start on delivering the projects whilst negotiations on the main contract are concluded (with JRL, through a framework or through individual

packages).

6. Financial implications

6.1. The financial implications are contained within the accompanying Part 2 report.

7. Legal implications

7.1. XXXXXXXXXX

7.2. XXXXXXXXXX

8. Equalities implications

8.1. Lewisham Homes on the Council's behalf consider any impact and implications in relation to protected characteristics as the schemes progresses through design, planning and construction stages. It should be noted that the Council is committed to ensuring our developments will be inclusive and feature accessible and adaptable homes that will meet the needs of our residents throughout their life.

8.2. Equalities implications will continue to be assessed as the schemes progress through the design, planning and construction process.

9. Climate change and environmental implications

9.1. Existing planning consents are in line with the high standards expected by the Council and the GLA. These developments will meet the London Plan requirements including seeking to reduce energy consumption, emissions, and climate change.

9.2. Every effort will be made to enhance the natural environment, enhance landscape and amenity space. This will include undertaking demolition and construction works in line with environmental protection and public health guidelines and seek to limit the impact on neighbours.

10. Crime and disorder implications

10.1. There are no direct crime and disorder implications arising from this report.

11. Health and wellbeing implications

11.1. There are no direct health and wellbeing implications arising from this report although the provision of new social homes will have a positive impact on health and wellbeing of people on the housing register waiting for permanent accommodation.

12. Social Value implications

12.1. Lewisham Homes require social value commitments from suppliers when procuring and awarding contracts for works. As this will be a new contract the previous commitments with CML are no longer valid. As part of the award of the PCSA the social value requirements will be negotiated and agreed with the Council's Economy, Jobs and Partnership team. The social value commitments will be secured through the contract and monitored as part of the governance of the BfL programme.

13. Report author and contact

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