



Mackenzie House

Monthly Newsletter | External Wall Systems
January 2022

Hello,

I hope this finds you well in the new year!

The below newsletter contains a lot of information about Mackenzie House and its Building Safety Project. I understand this is a lot to process and may leave you with more questions than answers, so I want to assure you that we are working extremely hard to get the answers you need.

Thank you in advance for your continued patience as we navigate the latest project challenges. Our team is committed to overcoming these challenges and moving the project towards a site start in Q1 of 2022, and I give you my personal commitment to pushing this forward at pace from the Project Teams side.

Building Safety Fund

We learnt recently that there are two areas that Homes England are not satisfied with regarding our tender, which I have outlined below.

Inflation Allowance

As you know, we completed a tender in September, submitted our full application in November, and have been working through the various questions and processes of the Building Safety Fund since this submission. As you can imagine, the contractor provided us a full cost of works based on the current price of materials, labour, and the market at the time they completed the tender. The contractor could only hold this price for 30 days at a time, which was a fair and standard approach from them.

Due to this, as a project team, we discussed how we could account for any change in the price as part of the project. It was clear to me that when we inevitably returned to the contractor, the actual amount would have likely increased. As such, to protect leaseholders, we included and highlighted an inflation allowance as part of the works costs as part of the submission. This was calculated based on current trends at the time. Once the funding was approved, we would ask the contractor to refresh their price and finalise this as part of the final funding agreement. In our meetings with the Fund, we were told verbally that this was acceptable.

Unfortunately, we have recently become aware that this approach is not acceptable, and the Fund now want us to refresh the price throughout the Stage 2 submission and inform them of any changes. To us, this seems illogical, as it requires great resources and time from all parties to refresh such a price. If we requested a refreshed cost every 30 days, the contractor would surely walk away from this process.

The irony is not lost on us that the reason for the price inflation is due to the long drawn-out process we are having to follow, and this latest challenge is now furthering that process. Alas, we have chased for numerous updates, and this was never highlighted to us as a problem. If we had been informed of this, we would have started the refresh much earlier and had this in hand now.

We have requested the contractor refresh the price, and we are expecting this into us in the next few weeks, which should resolve this area of concern.

Legal Fees & Site Set Up Complications

The fund is taking a further look at the set-up of Leeds Dock as a whole. This is because, as you know the estate land is not part of the buildings' remit and therefore, we had to come to an agreement with the estate owner.

After lots of discussions, we reached an agreement we felt was fair and enabled us to complete the work as required, even though it gave us several restrictions. The landowner and our solicitors have been working on a legal license for use of the land.

The Fund recently asked us to complete an exercise to establish whether these restrictions gave us additional cost. Naturally, they did; however, they also prevented the estate owner and local business from losing hundreds of thousands of loss trade and income and meant we could come to an agreement for use of the land. We are awaiting information from the Fund on the next steps with this, what the Fund proposes, or if they accept the restrictions and costs as reasonable.

This week, we have asked the fund if it would be beneficial if we remove the costs altogether for a variation once the project has started thus enabling us to agree on the pricing in its current format. This is currently under review, and we will confirm any response in due course.

Lastly, as previously mentioned it was recently announced that the Grant Funding Agreement negotiations had concluded, and the government was due to complete a revised version of the Grant Fund Agreement. We still await the revised version of this agreement, but ARMA has advised us that they feel the agreement made will be good to enter, unlike the previous agreement.

Funded vs Non-Funded

I am aware many have been waiting to hear if we had predicted any non-fundable costs. The key to this was a decision by the Fire Engineer on the non-funded systems and if they were tolerable.

As such, as part of the original budget, we had the following split:

Applied to the BSF: £12,692,690
Non-Funded: £4,436,476
Total: £17,129,166.00

I am pleased to confirm the Fire Engineer has finalised his review, and only the costs for which we applied to the Building Safety Fund for are required to get a satisfactory EWS1 form. As such, we will be looking to remove the Non-Funded amount from the indicative cost recently included within the budget. This is a positive step and means we expect all costs, barring state aid deductions, to be covered by the Building Safety Fund.

Final Charges

The final charges for the Waking Watch are close to being calculated. I know this process has taken much longer than we would like, and we will send a fully detailed letter confirming in great detail the final position of the waking watch costs in due course.

Unfortunately, COVID and a variety of other factors have caused great delays in the accountants completing this work. I share the frustrations that these have not been shared yet; however, the team are working to have these shared before the end of January.

Contact Changes

As 2022 starts, we wish to update you on key contact details for any query at your development:

Leeds Dock – All Queries – LeedsDock@liv-group.co.uk
Accounts Enquiries – Account Queries - AccountsEnquiries@liv-group.co.uk
Building Safety – Cladding / Building Safety – BuildingSafety@liv-group.co.uk

Please contact these teams directly, instead of individual members of the LIV team who may not be available or may change as we restructure over the next few months the management team at your development.

Thank you for taking the time to review our latest email. As always, you can find copies of this and all previous newsletters [here](#).

You'll hear from us again next month, and if we have any big news to share before then, we will reach out. As always our team are on-hand to answer any questions at BuildingSafety@liv-group.co.uk

Thank you,

LIV Group

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