

**REPORT of
INTERIM DIRECTOR OF RESOURCES**

**to
COUNCIL
15 DECEMBER 2016**

URGENT ITEM OF BUSINESS

SUPPLEMENTARY ESTIMATE – ST. CEDDS HOUSE AND CAR PARK PROJECT

1. PURPOSE OF THE REPORT

- 1.1 To bring to Members attention the fact that it has been established there is a shortfall in the budget available for the St. Cedds House and Car Park Project including the works that were required in the Council Offices to relocate the tenants.
- 1.2 To seek approval for a supplementary estimate of £39,000 for the capital project, of which £10,000 relates to the contingency sum allowed for within the contract not all of which may be required. The source of the funding for the contingency sum is explained in paragraphs 3.8 and 4.3 below.
- 1.3 This matter is brought forward for consideration with the agreement of the Chairman as a decision is required prior to the next meeting of the Finance and Corporate Services Committee (F&CS) at the end of January 2017 on account of the imminent completion of the contract and therefore the final account once agreed will require settlement before then.

2. RECOMMENDATIONS

- (i) that the Council notes the reasons for the requirement to seek a supplementary estimate for this capital project;
- (ii) that a supplementary estimate for the capital project for the relocation of the tenants from the former St. Cedds House to the Council Offices building, demolition of St. Cedds House and the formation of the car park of £39,000 which includes a contingency sum of £10,000 be approved in order for the Council to meet its contractual obligation. In approving this recommendation the Council will also be approving the use of the Department for Work and Pensions grant monies for meeting the cost of any contingency items;
- (iii) that a report be submitted to the Finance and Corporate Services Committee on 31 January 2017 on the reasons and the analysis leading up to the need to seek this approval.

3. SUMMARY OF KEY ISSUES

- 3.1 Members are aware that the Council demolished St. Cedds House and is constructing a car park on the site to increase the capacity of the car parking available for the Council and its tenants from Monday to Friday and for public use on Saturday, Sundays and Bank Holidays.
- 3.2 As part of the overall project, the Council relocated the tenants / occupiers of St. Cedds House into the main Council Offices building for which alterations were carried out to various parts of the building.
- 3.3 This project has been ongoing since 2014 / 15 and is coming to completion this month when the car park will be completed and handed over to the Council.
- 3.4 The funding for the overall project was approved by the Council as follows:

	Amount requested (£)	Amount Approved (£)	Committee
2014 / 15	75,000	75,000	Council
2015 / 16	235,000	220,000	F&CS / Council
Total Budget	310,000	295,000	

- 3.5 A reconciliation asked for by the Interim Director of Resources shows that the following amounts have been spent against the budget on works to the Council Offices to accommodate the relocation of the tenants / occupiers from St. Cedds House.

2014 / 15	£ 34,000
2015 / 16	£161,000
2016 / 17	£ 3,000
Total	£198,000 (Less £295,000 budget = £97,000 balance left)

- 3.6 The total tender sum approved for the demolition of St. Cedds House and formation of the car park on the site was £126,000 plus a contingency sum of £10,000. To date £51,000 relating to the demolition has been paid, leaving £81,000 for the formation of the car park to pay.
- 3.7 Therefore, the current position with regards to the contract for the demolition of St. Cedds House and the formation of the car park is as follows

Available budget left		£97,000
Less Demolition Works and site clearance – paid		£51,000
Balance of Budget left		£46,000
Required for formation of car park	£81,000	
Less Liquidated Damages accrued	£6,000	
Net Amount Required for Formation of Car Park		£75,000
Shortfall in Budget Provision		£29,000
Plus Provision for Contingency Sum		£10,000

- 3.8 The provision for the contingency amount will be funded, if needed, either in whole or part from non-ringfenced grant funding available from the Department for Work and Pensions (DWP) for the implementation of the Universal Credit and the use of which includes any physical works to the offices to accommodate staff. The purpose of the grant is to allow authorities to prepare for the introduction of the Universal Credit benefits scheme.
- 3.9 The Interim Director of Resources instigated a review of all expenditure recorded against this project to ascertain that there is no expenditure included that should have been charged elsewhere. This work has been completed and the above amounts reflect the true and correct position.
- 3.10 It is deeply disappointing to have to present this report to the Council; however, the Council is in a contractual arrangement whereby upon completion of the car park the contractor will require payment for part of which there is noT budgetary permission or authority.
- 3.11 Since his arrival on 24 October 2016, the Interim Director of Resources has concentrated his efforts to get the contractor back on site to complete the car park which has already been delayed and for which liquidated damages of £500 per week have been accruing against the contractor which will amount to £6,000 in total at completion of the works. The Interim Director of Resources was informed that adequate budgetary provision was in place for the demolition and formation of the car park.

4. CONCLUSION

- 4.1 It has been ascertained by the Interim Director of Resources that there is a shortfall in the available budget provision of £29,000 net of liquidated damages of £6,000 based on the accepted contract sum of £125,780.90 plus a contingency sum of £10,000 for the demolition of St. Cedds House and the formation of the car park.
- 4.2 As part of the project the tenants from St. Cedds House were relocated into the Council offices building for which various alteration works in the building had to be undertaken. The total cost of these works was £198,000.
- 4.3 The total cost of the project will be £324,000 plus any agreed calls on the £10,000 contingency sum once the final account for the formation of the car park is received against an approved total budget provision of £295,000. The budget provision for the contingency sum is to be funded from the DWP non-ringfenced grant for the introduction and implementation of the Universal Credit benefits scheme. Some of the works relating to alteration to the Council Offices can be properly charged to the grant and therefore as part of the whole project can be used to fund the contingency items.
- 4.4 The Council is in a contractual obligation to pay the contractors on completion of the car park, notwithstanding the accrual of liquidated damages against the contractor for not completing the works in time.

- 4.5 The Interim Director of Resources has concentrated his efforts to require the contractor to complete the works on the understanding that budget provision was in place.

5. IMPACT ON CORPORATE GOALS

- 5.1 Additional funding for this project will mean that capital resources are being used at a faster rate than had been planned for to deliver the corporate goals in the future.

6. IMPLICATIONS

- (i) **Impact on Customers** – The Council has been able to provide improved office accommodation to its voluntary sector partner organisation. It has and continues to extend the public and voluntary sector into offer with Moat Housing, One Support and Job Centre Plus all also occupying space in the building.
- (ii) **Impact on Equalities** – None arising directly from this report.
- (iii) **Impact on Risk** – Ownership of St. Cedds House was a liability to the Council in terms of maintenance of an old building which has now been removed saving around £15,000 per annum on an ongoing basis.
- (iv) **Impact on Resources (financial)** – This is covered in the Impact on Corporate Goals. The Interim Director of Resources has instructed Finance Services to undertake an assurance exercise on all projects across the Council to ensure that proper and meaningful budgetary control is exercised by budget managers and supported by Finance staff and to also ensure that financial and contract procedure rules are adhered to without exceptions.

The savings on the maintenance and running cost of St. Cedds House built into the medium term financial plan is around £15,000 per annum. This excludes any car parking income.

It should be noted that improved space utilisation has also opened up options for further income from potential shared accommodation arrangements with other public sector partners. Annual rental income will be received from Essex Police in respect of the Police relocating to the Council Offices.

- (v) **Impact on Resources (human)** – None arising from the final phase of the project.
- (vi) **Impact on the Environment** – St. Cedds House contained asbestos which was removed and disposed of safely in accordance with regulations.

Background Papers: None.

Enquiries to: Kamal Metha, Interim Director of Resources, (Tel: 01621 875762).

Minute of the Council meeting on 15 December 2016

835. SUPPLEMENTARY ESTIMATE - ST. CEDDS HOUSE AND CAR PARK PROJECT

The Council considered the urgent report of the Interim Director of Resources reporting a shortfall in the budget for the St. Cedds House and Car Park Project. The report also sought Members' approval for a supplementary estimate of £39,000 for the capital project, of which £10,000 related to a contingency sum allowed for within the contract.

It was noted that this matter had been brought for urgent consideration as a decision was required on this matter prior to the next meeting of the Finance and Corporate Services Committee on account of the imminent completion of the contract and therefore the final accounts, once agreed, would require settlement.

The report provided detailed information regarding the project, including the current budget shortfall, project costs and contingency provision. Members were advised that the Interim Director of Resources would be submitting a further report on the project to a future meeting of the Finance and Corporate Services Committee.

A number of comments were made regarding management of the Council's contracts with some Members expressing the need for the Council to employ a dedicated contracts manager.

In response to further questions the Chief Executive and Leader of the Council advised when they had been made aware of the overspend relating to this contract.

RESOLVED

- (i) that the reasons for the requirement to seek a supplementary estimate for this capital project be noted;
- (ii) that in order for the Council to meet its contractual obligation, for the capital project for the relocation of the tenants from the former St. Cedds House to the Council Offices building, demolition of St. Cedds House and the formation of the car park of a supplementary estimate £39,000 which includes a contingency sum of £10,000 be approved. In approving this recommendation the Council will also be approving the use of the Department for Work and Pensions grant monies for meeting the cost of any contingency items;
- (iii) that a report be submitted to the Finance and Corporate Services Committee on 31 January 2017 on the reasons and the analysis leading up to the need to seek this approval.

Statement of Final Contract for St. Cedds House Demolition and formation of car park project

Original Contract figures	£	Final Contract figures	£
A Contract Sum	125,780.90	Cost of works as per Tendered Schedule	125,780.90
Contingency Sum	10,000.00	Add Variations	6,568.25
Total Contract Value	135,780.90		132,349.15
		Additional Works: Ground Condition and Levels	25,462.21
			157,811.36
		Less: Liquidated Damages	7,000.00
		Total Agreed Amount Due to the Contractor	150,811.36
		Payments Made	
		Payment Number 1 - Demolition Works	45,000.00
		Payment Number 2 - Formation of Car Park	90,780.90
		Total	135,780.90
		Balance of Amount Due to the Contractor	15,030.46
		Shortfall in Contingency Sum Provision:	
		Contingency Sum	10,000.00
		Less: Variations	6,568.25
		Balance of Contingency Sum left	3,431.75
		Less: Additional Works: Ground Condition and Levels	25,462.21
			-22,030.46
		Less: Liquidated Damages	7,000.00
		Shortfall in Contingency Sum Provision	-15,030.46
		Budget Provision	£
		Balance at 1 April 2016	104,000.00
		Add Supplementary Estimate	
		Council 15 December 2016	39,000.00
		Total Budget Available in Year	143,000.00
		Less Expenditure to date:	
		Payment Number 1 to Contractor	45,000.00
		Payment Number 2 to Contractor	90,780.90
		Other project related miscellaneous expenditure in Council Offices	3,234.38
		Balance of Budget left	3,984.72
		Balance of Amount Due to the Contractor	15,030.46
		Supplementary Estimate Required	11,045.74