



Haringey Council

Agenda item:

[No.]

Cabinet Procurement Committee

On 19th February 2009

Report Title. **Haringey Public Mortuary**

Report of Niall Bolger, Director of Urban Environment

Signed : *N Bolger* 11th February 2009

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Wards(s) affected: N/A

Report for: Non key decision

1. Purpose of the report

1.1. This report is to advise on the increased costs involved in the construction of the new mortuary for the borough and seek approval for the additional spending.

2. Introduction by Cabinet Member

2.1. No introduction.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. Priority 5 – Delivering excellent , customer focused , cost effective services.

The new mortuary will provide modern facilities for undertaking Coroner's post-

mortems , and satisfy the requirements of the relevant licensing body , the Human Tissues Authority. Families, relatives and friends experiencing the unexpected death of a loved one will be able to visit premises that provide comfort and support to them , in pleasant and respectful surroundings.

3.2. Regeneration Strategy.

The new premises will enable the closure of the existing mortuary (which is close to being not fit for purpose) , adjacent to the Hornsey Central Depot site and enable the unaffected redevelopment of the depot site as part of the Heartlands regeneration programme. Part funding of this new mortuary was achieved from the Growth Area Fund , Round 2 , (£1.5 million) through the Department of Communities and Local Government on the basis of this regeneration and the associated housing delivery , in line with Government Policy.

This level of part funding from GAF was never sufficient alone to deliver this impressive building below ground (as it is in metropolitan open land) and to refurbish the existing derelict historic Lodge building. The final result is a state of the art facility for the borough. The cost of the construction is seen as value for money for a highly technical building type in a below ground situation. It has been recommended to Regeneration Programme Board, (15th January 2009) and approved to be taken to Cabinet for final authorisation that additional funding from the recently announced GAF3 allocation to the Borough should contribute to the successful completion of this project, thus enabling regeneration and housing growth through Government funding in the Heartlands area. Under the GAF3 green agenda £60,000 will enhance the mortuary by providing a "Garden of Remembrance". An additional £206,000 will provide sufficient funds to complete this complex below ground structure and provide a magnificent modern facility.

4. Recommendations

- 4.1. That the report into spending issues arising during the construction of the new mortuary be received and to agree the funding of the additional costs as proposed in paragraph 5.3.

5. Reason for recommendation(s)

- 5.1. The report to Procurement Committee prior to construction dated 20th December , 2007 agreed the costs for the works and authorised construction. This report followed a value engineering and cost savings exercise to reduce costs which had risen following the original tendering exercise and the contractor selection. The

report qualified these savings and highlighted two areas of financial risk . The first was a substantial reduction in the amount for contingencies arising during construction and the second, cost savings achieved by altering or removing elements of construction which may need to be reinstated.

5.2. During construction these risks were realised and as costs increased , there was little contingency to cover them. This has resulted in an increased overall cost for the project at £3,660m , an rise of £516k above the agreed funding and budget of £3,144m detailed in the report of 20/12/07 . Please see Appendix 1 for a detailed breakdown of these increased costs. The final account for the new mortuary is being determined by the Quantity Surveyors and the Contractors and this will be brought back to Committee when this is known.

5.3. The funding gap of £516k is proposed to be met by the following:

- (a) £60k Growth Area Funding (GAF III) towards the landscaping (bereavement garden).
- (b) £206k GAF III funding from non ring fenced bids.
- (c) £250k from projected revenue / capital underspends.

6. Other options considered

6.1. No other options have been considered as practicable. As costs increased during construction, only those additional works deemed to be necessary for proper completion were agreed . These included matters related to the complex underground construction and extensive electrical and mechanical systems , planning or building regulation compliance , and additional compliance requirements for licensing by the human Tissues Authority such as the storage temperature monitoring.

6.2. It was necessary to complete construction in order to vacate the present mortuary premises and allow unaffected redevelopment of the Hornsey Central Depot site . In addition we had a funding contract with the Department of Communities and Local Government (CLG) under the Growth Area Funding initiative which had contributed £1.5m to this project . This required both spend full spend of the funding by 31st March 2008 , and completion of the facility . The spend was achieved by that date and any consequent failure to complete the whole project would have required the repayment to CLG of this funding.

7. Summary

7.1 The construction of the new mortuary is a unique and high profile project that will provide an excellent mortuary facility into the future . The current site in Hornsey will be vacated to provide an unaffected redevelopment of the Hornsey Central

Depot site and an increase in the asset value of the site. The new mortuary will provide a modern 'state of the art' facility to the highest standards and achieve compliant with the relevant Government criteria for forensic pathology work.

7.2 Original agreed budget . The mortuary construction has been financed from a successful bid to The Department of Communities and Local Government for £1.5m , prudential borrowing of £500k repaid with increased fee income from Enfield , and monies from within the Urban Environment Directorate .The report to Procurement Committee in December 2007 highlighted the challenges that this project faced in two main areas . Firstly that we were entering into construction with very little contingency money for unexpected items . As the construction was underground, this was a high risk. Secondly, the cost savings exercise undertaken to reduce costs was highlighted as high risk as many of these reductions were still to be fully evaluated .

7.3The original quotation from the successful company in the tendering process for the main mortuary construction was for £2,917,672 . The value engineering and cost savings exercise then undertaken reduced costs by £425k to give a cost of £2.493 m . The total projects costs were therefore agreed as follows;

- Phase 1 (Securing site & refurbishing the Lodge)	£120k
- Professional & Statutory Fees	£531k
- Phase 2 (Main construction works)	£2.493m
Total	£3.144m

7.4 Construction and increased costs Construction progress was good , and received very good comments at the 'Topping Out ' ceremony in August 2007. It is a complex and detailed construction and the contractors have performed well. However , it became clear during construction that a number of the cost saving items that had been removed would need to be reinstated and once all the items had been investigated with certainty , this amounted to £135k of the £425k original savings achieved.

7.5It was also clear that constructing underground , and with such detailed work , there would be a considerable number of unforeseen items and variations in construction that would be needed . This has totalled £267k . In addition to this , these variations have also included adjustments to the provisional sums in the original contract specification totalling £5k.

7.6In total therefore, additional construction costs implemented are £407k .

7.7Professional fees have increased since the start of the project , mainly associated with the architects fee. The cost savings exercise although saving a net figure of £290k (£425k less £135k) did require a considerable amount of revision to the plans by the architects . Fees are calculated as a percentage of construction

costs and as these increased , so did the fees. All fees are to agreed percentages within the Council's Framework Agreement with contractors. The total professional fees have increased by £96k.

7.8 Security on the site has been an issue during this project and it was necessary to provide additional security prior to the main construction works beginning , a total of six months. Additionally the site was not properly fenced and the external window protection and alarm systems to the Lodge building itself were maintained throughout construction. The additional costs of these measures has been £34k over the period.

7.9 To balance this additional expenditure, the final costs for the works to the Lodge building itself undertaken in Phase One during 2007 to prepare for the main works were lower than originally expected by £21k.

7.10 Overall therefore the costs have increased as follows:

Construction costs (Para 7.4,7.5 & 7.6)	£407k
Professional fees (Para 7.7)	£96k
Security on site (Para 7.8)	£34k
	£537k
Savings on the Lodge (Para 7.9)	£21k
Net increased costs	£516k

The final account for the new mortuary is being determined by the quantity surveyors and the contractors . This will be brought back to Committee when known.

7.11 Reporting the variations .

The risks highlighted in the original Procurement Committee Report of December 2007 have been highlighted in each monthly report through to both the GAF board and Regeneration board. As the cost savings and value engineering items were investigated and became clear (original target for this was by August 2008) , these risks became ' issues ' and these increased construction costs were also detailed. The increase in professional fees of £96k was only reported at the beginning of October following the review in early September by Construction Procurement. This increased the funding gap to the figure of £516k.

7.12. Bridging the funding gap This funding gap of £516k is proposed to be met by the following:

- (a) £60k Growth Area Funding (GAF III) towards the landscaping (bereavement garden).
- (b) £206k GAF III funding from non ring fenced bids.
- (c) £250k from projected revenue / capital underspends

8. Chief Financial Officer Comments

8.1 This report confirms the overspend on the mortuary project previously reported through the budget management process of £516k, and sets out the proposed funding. The Procurement Committee was advised on 20th December 2007 that there was no contingency cover for any unforeseen items of expenditure that may arise, and that there was a risk of costs exceeding the budget.

8.2 Funding for the additional costs has been identified from Growth Area Funding (£266k) and projected revenue and capital underspends (£250k) with no impact on front line service delivery.

9. Head of Legal Services Comments

9.1. The Director of Urban Environment (the Director) is to advise on the increased costs involved in the construction of the new mortuary for the Borough and to seek Cabinet approval for the additional spending.

9.2. The Council has in place a Framework Agreement under Regulation 19 of Public Contracts Regulation 2006 (the Regulation).

9.3. It is noted that the report to Procurement Committee dated 20 December 2007 agreed the costs for the works and authorised construction.

9.4. As the report indicates, during construction the cost of the project increased by £516,000 above the agreed funding. The Director now wishes to seek Cabinet Procurement Committee approval for the overspend. This can be done by way of a variation to the contract which the Cabinet Procurement has power to approve under CSO 13.02.

9.5. The Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendations of paragraph 4 of this report.

10. Head of Procurement Comments

10.1 The project has utilised a two stage tender process to appoint the most suitable contractor enabling the Council to engage the contractor early in the design.

10.2 A value engineering exercise was carried out at the design stage and during the early stages of the construction period.

10.3 The consultant's fees are based on the construction cost of the building. The additional fees relate to the anticipated final account and the redesign of the building following value engineering.

10.4 The increased costs are due to unforeseen works, because of the works below ground and that a number of the value engineered items have since been reinstated.

Security has also been an issue.

10.5 The completed building has delivered a quality unique outcome with a unique construction process that will provide an excellent mortuary facility into the future.

11. Equalities & Community Cohesion Comments

11.1. The new mortuary will support the Coroner in providing good service to various faith communities where postmortems may need to be undertaken immediately.

11.2. The premises are fully Disability Discrimination Act (DDA) compliant throughout ; for the bereaved in the public and viewing areas , for pathologists , police and other visitors in the clinical and office areas and for our own pathology technicians .

12. Use of appendices /Tables and photographs

12.1. Single appendix providing greater details of the increased construction costs referred to in paragraphs 7.4 to 7.10.

13. Local Government (Access to Information) Act 1985

13.1. Procurement Committee Report 20th December 2007.
Procurement Committee Report 4th September 2007