

Report for Cabinet 22 January 2019

Title: Woodside House Refurbishment – Budget and Variation of Contract Award

Report

authorised by : Richard Grice, Director of Customers, Transformation and Resources

Lead Officer: Joanna Heard, Senior Project Manager, Project Delivery

Ward(s) affected: Wood Green

Report for Key/

Non Key Decision: Key decision

1. Describe the issue under consideration

1.1. This report seeks Cabinet Approval to vary the original contract with T&B (Contractors) Limited by allowing the increase of the original value by up to £750,000 as allowed under Contract Standing Order (CSO) 10.02.1(b).

2. Cabinet Member Introduction

2.1. The refurbishment of Woodside House, now George Meehan House, has provided a high quality civic building with the potential to increase Council revenue income from its Registry Services and also private hire. The renovation of George Meehan House has also ensured the preservation of this historically and architecturally valuable building for the use of the borough.

2.2. A number of variations to the construction contract have been necessary due to unforeseen building condition issues that were uncovered during the works. This report recommends approval of an increase to the Woodside House/George Meehan House construction contract value to meet Haringey's contractual obligations for payment.

3. Recommendations

3.1. For Cabinet pursuant to Contract Standing Order 10.02.1b to approve a variation and increase the value of the contract with T&B (Contractors) Ltd to deliver refurbishment works to Woodside House by up to a further £288,034.31, which is in addition to an increase of £461,965.69 approved under delegated authority in October 2018. This would increase the original contract award by £750,000. The overall impact on project budget (as per Paragraph 8.1.2) is in the region of £472,000, representing a 13.5% increase.

3.2 For the reasons set out in Paragraph 6.7 and 6.8 of the report, Cabinet to grant delegated authority to the Director of Customers, Transformation and

Resources to agree further variations if required to settle the final account. The authority is limited to that available under Contract Standing Order 10.02.1(a).

4. Reasons for decision

- 4.1. To ensure Haringey Council can adhere to its contractual obligations and make payment of contract valuations.

5. Alternative options considered

- 5.1. In order to make invoiced interim valuation payments that are required in December and January, approval is required now, while final negotiations are completed (construction contracts allow six months for the presentation of the Final Account by the main contractor after Practical Completion of the works). If not approved, the council would be unable to make payment of the bi-monthly interim valuations, as well as Final Account payment and would mean it would be in breach of its contractual payment obligations and be at risk of incurring additional interest costs on unpaid amounts.

6. Background information

- 6.1. In May 2016 the Council set up the Future Ways of Working programme to act as an enabler for the council services to deliver the corporate plan and priorities as they pursue a better way to deliver services to the public. The decanting of the Civic Centre and relocation of its services and functions formed part of the project. Woodside House, a council-owned property, had been identified as one of the buildings which could accommodate a number of the services proposed to be moved from the Civic Centre.
- 6.2. The required construction works were established during the design phase of the project and were developed to RIBA Stage 4 (Technical Design) of the Royal Institute of British Architects (RIBA) Plan of Work by the commissioned project's consultant design team, lead by Rider Levett Bucknall.
- 6.3. A competitive tender exercise was undertaken with three contractors obtained from Lot 5 (NE2) of the LCP Framework, to secure the required resource to undertake the required construction works. Following an evaluation process, Leader approval was granted on the 18th September 2017 to award the construction contract to T&B (Contractors) Ltd in the sum of £2,359,251.00.
- 6.4. During the delivery of the contract a number of variations have had to be instructed which have incurred additional cost. As it stands there is insufficient authority to pay invoices associated with the additional requirements and delay. The variations have related to unforeseen building condition issues, design Issues and client changes.
- 6.5. A large proportion of the construction contract variations at George Meehan House have related to restoring historical authenticity and features to the building, both internally and externally, therefore preserving an important heritage building for the borough. As construction work progressed, it became necessary to vary the construction contract to include these additional condition

and restoration works, which have resulted in a very high quality standard of work and a lasting legacy for the building.

- 6.6. The contract terms require payments to be made within the 14 days following the issue of the payment certificates by the contract administrator. Failure to meet the payment dates puts the council at risk of incurring additional interest costs on unpaid amounts and also risk in terms of its standing with the Fair Payment Charter, which the council is obliged to adhere to.
- 6.7. The process of drawing up the Final Account has begun, which includes agreeing final costs for all Contract Instructions and also agreement of an Extension of Time claim that has been submitted by the contractor and is currently being assessed by the Lead consultant.
- 6.8. Therefore, final cost of the construction contract cannot yet be finalised. It is recommended that due to this uncertainty, future variations (either to increase or decrease the construction contract value) be approved as per the Delegated Authority provided to Council Directors to approve contract variations under £500,000.
- 6.9. The project cost consultant's (Ingleton Wood) November valuation indicates a projected final account sum of £3,073,460.46. This includes a reported adjustment to the original contract sum of £714,209.46 (30.27%). The cost consultant notes this is based on information received as at 9th November 2018:
 - 6.9.1. Contract Instructions included within this Financial Statement amount to a value of £406,007.07.
 - 6.9.2. Anticipated Instructions included within this Financial Statement estimated to be valued at £120,218.49.
 - 6.9.3. An Extension of Time (EoT) has been granted by the Contract Administrator up to the 1 June 2018, with the remaining delay yet to be awarded. For the purposes of this financial statement the cost consultant has confirmed that the Contractor are claiming £187,983.90 for Loss and Expense in relation to this delay. This is still to be reviewed.
 - 6.9.4. In addition, as Final Account negotiations are likely to continue until March/April 2019, an additional contingency sum of £35,790.54 has been added to this report. The resulting approval figure is then £3,109,251.00, including contingency.
 - 6.9.5. This statement has been based upon limited Contractor information provided to date and as such will change following detailed negotiation.
- 6.10. The contract terms require payments are made within the 14 days following the issue of the payment certificates by the contract administrator. Failure to meet the payment dates put the council at risk additional interest costs on unpaid amounts and also in terms of its standing with the Fair Payment Charter, which the council is obliged to adhere to.
- 6.11. An increase to the Contract value will also result in an increase to project fees, which are based on a percentage of the construction value. This sum is

included in the total project budget increase reported elsewhere on this agenda.

6.12. In summary the variation to the original project budget is as follows:

6.12.1 The original budget for the Woodside House refurbishment was approved at £2.94m in 2015.

6.12.2 The budget was increased to £3.54m on 18th September 2017 by Leader Signing to accommodate the confirmed construction tender prices and also the decision to replace rather than refurbish the existing windows. The costs were anticipated as follows:

- £2.51m Construction works
- £438,000 Professional Fees
- £57,000 Disbursements
- £135,000 FF&E and ICT
- £191,000 Contingency
- £169,000 PM Fees

6.12.3 As at 9th November 2018, the overall anticipated budget required for the project is £3.98m, subject to construction Final Account negotiations and the associated impact on fees. High level anticipated costs as follows:

- £3.07m Construction works
- £531,000 Professional Fees
- £67,000 Disbursements
- £135,000 FF&E and ICT
- £169,000 PM Fees

6.13. This report recommends approval to increase the value of the Woodside House contract award by £288,034.31, which is in addition to an increase of £461,965.69, approved via Director delegated approval in October 2018 for additional works instructed at that date. This would increase the original contract award by a total of £750,000 and allow payment of current obligations to the contractor to be agreed. Budgetary provision has been made for the revised forecast outturn for the project in the budget monitoring report agreed by Cabinet in December 2018.

7. Contribution to strategic outcomes

7.1. This project has enabled the Council to embark on its ambitious Future Ways of Working project which is part of the Transformation Programme.

7.2. George Meehan House (formerly Woodside House) now provides a high quality civic building housing the Mayor's Parlour, Registry Offices, ceremony/function rooms, as well as two floors of flexible office space. The building, which is locally listed, has retained period architectural features throughout and provides the potential for increased revenue through improved Registry services and

private hire.

8. Statutory Officers

8.1. Finance

8.1.1 The report is recommending that Members agree to vary the construction contract for the Woodside House refurbishment scheme by £750k. The report also informs Members that the estimates provided in this report could vary generating either a higher/lower outturn cost.

8.1.2 The original scheme budget was set at £3,500k. Cabinet at its meeting of the 11th December 2018 allocated a further £450k to the scheme bringing the budget to £3,950k. The table below provides information on the overall scheme's estimated variation from the agreed budget.

	Original £000's	Revised £000's	Variance £000's	Variance %
Construction	2,510	3,070	+560	+22.3%
Professional Fees	438	531	+93	+21.2%
Disbursements	57	67	+10	+17.5%
FF&E/ICT	135	135	0	0.0%
PM Fees	169	169	0	0.0%
	3,309	3,972	+663	+20.0%
Contingency	191	0	191	-100.0%
	3,500	3,972	+472	+13.5%

8.2. Strategic Procurement

8.2.1 SP acknowledges that a competitive tender exercise was originally undertaken with three contractors obtained from Lot 5 (NE2) of the LCP Framework and that the Leader's approval was granted on the 18th September 2017 to award the construction contract to T&B (Contractors) Ltd in the sum of £2,359,251.00.

8.2.2 SP further acknowledges that, during the delivery of the contract, a number of variations relating to unforeseen building condition issues, design issues and client changes have had to be instructed and these have incurred additional cost.

8.2.3 SP notes that whilst the original scheme budget was set at £3,500k, Cabinet at its meeting of the 11th December 2018 allocated a further £450k to the scheme bringing the budget to £3,950k.

8.2.5 SP has no objection to the approval of the recommendation made in section 3 of this report

8.3. Legal

8.3.1 The Assistant Director of Corporate Governance notes the contents of the report.

8.3.2. Pursuant to CSO 10.02.1(b), Cabinet may approve the variation of a contract if the value of the contract is £500,000 or more and as such Cabinet has power to approve the variation of the Contract in this Report.

8.3.3 CSO 10.02.1(a) provides authority for a Director to approve variation of less than £500,000.

8.3.4. The Assistant Director of Corporate Governance sees no legal reasons Preventing the approval of the recommendations in the report.

8.4. Equalities

The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not

This decision has no direct impact or disproportionate impact on any residents with protected characteristics. The refurbishment of Woodside House and relocation of some of the Civic Centre's functions thereto will help further engage different communities in Haringey in the democratic process.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

None