

CABINET (HOUSING) COMMITTEE

25 MARCH 2015

ESTATE IMPROVEMENT PROGRAMME – WOOLFORD CLOSE

REPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)

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RECENT REFERENCES:

CAB2534(HSG) – Estate Improvements, Woolford Close, Stanmore - 28 November 2013

EXECUTIVE SUMMARY:

Cabinet (Housing) Committee approved spend of £280,000 to refurbish the external communal areas of Woolford Close, Stanmore, in November 2013 (CAB2534(HSG) refers). The recent budget report gave approval for £350,000 to be carried forward to 2015/16 for these works.

The scheme has now undergone a tendering process, with the tender returns coming in significantly higher than anticipated. This report highlights the key information detailed on the tender report, and indicates the likely additional spend now required in order to complete the scheme.

The report has not been included in the Forward Plan for March. The previous report (CAB2534(HSG)) gave authority to proceed with the project, although with tenders now significantly over the original estimate, the additional recommendations are required. This constitutes a “key decision” and under the Council’s Access to Information Procedure Rules (Rule 15.1 General Exception), the Chairman of the Overview and Scrutiny Committee has been informed.

RECOMMENDATIONS:

1. That the increased costs of the project be noted and that the additional £80,220 required be funded from the base budget provision for Estate Improvements for 2015/16
2. That the impact the above decision has on the overall programme be reviewed and reported to the June 2015 meeting of this Committee.

CABINET (HOUSING) COMMITTEE25 MARCH 2015ESTATE IMPROVEMENT PROGRAMME – WOOLFORD CLOSE, STANMOREREPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)DETAIL:1 Introduction

- 1.1 In November 2013, this Committee approved proposals for major improvements to the area surrounding Woolford Close flats in Stanmore. The works included additional parking, landscaping, highway works, steps and access to adjacent parkland, new accesses to the block and also changes to garage provision (CAB2534 dated 28 November 2013 refers).
- 1.2 Following extensive consultation and additional design work to ensure compliance with Planning/Highways requirements, Contract Tenders were invited on 8 December 2014, on a lump sum firm price basis under the JCT Minor Works Building Contract with Contractor's Design 2011 Edition, for the regeneration of the external communal areas of Woolford Close, Stanmore. Tenders were invited on a Specification and Drawings basis. The Specification includes NBS Preliminaries, NBS Specification, Quantified Schedule of Works and CDM Tender Documentation. The pre-tender estimate for this project, (PTE) was £247,900.
- 1.3 5 Contractors were invited to tender, with 4 returning submissions on 20 January 2015. The results were as follows;

| Tender | Tender Sum | % Comparison to PTE |
|---------------|-------------------|----------------------------|
| Tender A | £376,891.03 | 152% |
| Tender B | £432,871.38 | 175% |
| Tender C | £436,525.93 | 176% |
| Tender D | £465,475.00 | 188% |

The lowest Tender is 52% above the PTE.

2 Tender Analysis

- 2.1 Tender A, from CLC Ltd, has been fully analysed in accordance with JCT practice note six, and no errors have been found in either the technical or the arithmetic check.

- 2.2 A comparison between the three lowest tenders has been run in order to gauge adequacy of the rates used, but found little consistency in the pricing. For example, in the demolitions aspect of the tender, the lowest rate totals £3,900 and the next is £16,000. For the earthworks element, this is reversed; £34,300 against £23,900. This serves to demonstrate the inconsistent nature in which each of the Tenders has been priced.
- 2.3 A partial explanation of the difference between the tender result and the pre-tender estimate can be attributed to the fact that the project has developed from when the PTE was originally prepared. However, this is only to a small extent (further details of these developments can be found in the Tender Report).
- 2.4 Informal discussions suggest that tenderers are currently experiencing the high levels of work, which provides an important clue as to why the tender returns are considerably higher than anticipated.
- 2.5 Whilst the difference between the PTE and lowest Tender Return is significant, many of the items in the PTE remain relevant. There are some items (such as demolitions and earthworks as detailed above), in which accuracy cannot be easily achieved in terms of anticipated costs, and this has been demonstrated with this project. As with many schemes of this nature, the increased cost reflects the current market; Contractors can, and are, demanding more than the original allowances made.

3 Financial Situation to date

- 3.1 A significant amount has already been spent on the scheme, and there are further financial obligations also committed to the project, these being;

| | | |
|---|---|--------|
| Current expenditure, (net of VAT) | £ | 36,852 |
| Architects/Agents, (balance remaining of original estimate) | £ | 13,078 |
| Total | £ | 49,930 |

- 3.2 Other known costs for this scheme are detailed as follows;

| | | |
|--|----------|----------------|
| Highway extinguishment, (Hampshire County Council) | £ | 3,399 |
| CLC contract tender cost | £ | 376,891 |
| Total Cost | £ | 430,220 |

- 3.3 This is an increase of **£80,220** to the £350,000 already carried over for the completion of this project, and ignores the potential for any additional costs that could be incurred.

4 Alternative Design Options

- 4.1 Since the Tender Report, other avenues have been explored in order to try to reduce the cost of the scheme.
- 4.2 The material specification of the scheme has been considered, and whilst some savings can be achieved by using alternative materials, these savings are of a negligible amount and as such are not justified, given the detrimental impact that the lesser product would have on the finished project.
- 4.3 The scheme could be procured in smaller, identifiable packages; however, the cost of the scheme is likely to rise rather than fall on the grounds of loss of efficiencies. Each tenderer has been identified as being fully capable of procuring and managing the whole project, and as such it is not due to a lack of expertise, (and the subsequent requirement for sub-contractors), that the Tender Returns are so high. Given the varied nature of the works required, it is doubtful that a "specialist contractor" exists for this scheme, and if such a Contractor were to be identified, it is likely that the price would increase due to a narrower field of operation, and a higher profit margin being attached as a result.

5 Conclusion

- 5.1 Tenders were returned by 4 contractors and the results proved competitive; as such it is concluded that the lowest tender represents value for money for the current market conditions.
- 5.2 Whilst it is disappointing that the tenders are considerably higher than expected, it is not wholly surprising, with a number of other high profile projects also coming in well over the pre tender estimates provided.
- 5.3 A significant level of consultation has already taken place at the Close, along with some preparatory work, (such as decanting the current garage licensees to alternative units), building a level of expectation amongst residents. It will prove detrimental to the community to withdraw the scheme at this stage.
- 5.3 Taking all matters into account, it recommended that the additional funds are agreed to enable completion of this project.

OTHER CONSIDERATIONS:

6 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 6.1 The Estate Improvement programme is a specific priority in the Community Strategy and within the Housing portfolio plan.

7 RESOURCE IMPLICATIONS:

- 7.1 The Estate Improvement programme capital budget for 2015/16 already includes provision for this project. However, the increased costs of £80,220 will need to be met from the base budget, which obviously reduces the

resources available to fund other schemes. This is likely to mean that some schemes currently being considered may need to be deferred until future years, although scope for additional funding will be reviewed and consideration given to recommending a revised budget provision later in the year.

8 RISK MANAGEMENT ISSUES

8.1 Based on the Tender, the overall level of contingencies including dayworks equates to 7% of the proposed Contract Sum. This is considered to be an adequate figure for the works.

8.2 The total value of the general Provisional Sums, excluding contingencies, amounts to £5,000 (i.e. 1% of the tender excluding the provisional sums). The amounts included are considered sufficient for the work concerned.

9 TACT Comment

9.1 TACT has been fully consulted on the proposals for the scheme and has given strong support to improving the environment around Woolford Close. Whilst noting the increased costs, TACT continues to support the proposal.

BACKGROUND PAPERS

None

APPENDICES:

None.