

**REPORT TO:** Executive Board Sub Committee

**DATE:** 18 December 2008

**REPORTING OFFICER:** Strategic Director – Environment  
Strategic Director – Health and Community

**SUBJECT:** Forecast Final Contract Cost - Warrington  
Road Traveller Transit Site

**WARDS:** Daresbury and Castlefields

## **1.0 PURPOSE OF THE REPORT**

- 1.1 Finance Standing Order 5.1.5 requires that a contract which exceeds a tender price by more than 5% should be reported by the appropriate Strategic Director to the Executive Board Sub. Accordingly this report informs the Board of an increase in costs of delivery of 57% on the tender price of the Warrington Road Transit Site. The total costs can nevertheless be contained within the Council's housing capital programme by using an unspent contingency.

## **2.0 RECOMMENDATION: That the report be noted**

## **3.0 SUPPORTING INFORMATION**

- 3.1 The construction of a transit site for Travellers at Warrington Road, Runcorn, was agreed by Executive Board on the 1<sup>st</sup> November 2007. The project was governed by time constraints due to the requirements of the Castlefields Regeneration Programme which are detailed in Appendix 1. In order to achieve the required completion date, the Executive Board Sub-Committee, at its meeting on the 29<sup>th</sup> November 2007, approved the waiving of Procurement Standing Orders, by virtue of Standing Order 1.6 for reasons b, c and d. The normal tender process would have prevented the project being completed within the required duration, which would have potentially caused financial detriment to the Council.
- 3.2 The contract for the civil engineering works was awarded to D. Morgan Plc in February 2008. Full Planning Permission was granted in March 2008 and site work commenced in April 2008.
- 3.3 A total project budget of £500,000 was allocated from the Council's housing capital programme. This allowed for Morgan's tender of £408,647, in addition to standard fees and payments to utility providers.
- 3.4 Subsequently it was necessary to include a number of unforeseen additional items in the contract including dealing with problems of

bringing services to the site. The combined financial result of these factors is a projected over-spend of £234,110. (Full details of the items and issues culminating in the additional cost will be fully detailed in a final account document. The main issues and costs are included in Appendix 1.)

#### **4.0 POLICY IMPLICATIONS**

**4.1** The project will help to achieve the Council's Equality and Diversity objectives as they relate to Travellers.

#### **5.0 OTHER IMPLICATIONS**

##### **5.1 Financial Implications**

The funding shortfall can be met from an unspent contingency within the housing capital programme without the need for additional Council resources.

#### **6.0 RISK ANALYSIS**

The additional unforeseen items (as listed in Appendix 1) were all necessary to achieve a fully operational, safe scheme within the required timeframe which complies fully with current legislation. Not carrying out any of these items would have compromised one or more of these criteria.

#### **7.0 EQUALITY AND DIVERSITY ISSUES**

Equality and Diversity issues are being fully addressed by the construction of this facility for travellers. Latest Government recommendations for the facilities and specification for travellers' sites has been taken into consideration in the design of the site. Provision of a transit site will make a significant contribution to the Council's efforts to support equality and diversity.

#### **8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Traveller Site Needs Study	Rutland House Halton Lea	Phil Watts
Site Assessment	Rutland House Halton Lea	Phil Watts

## APPENDIX 1

### Details Of Items, Issues And Costings Causing Over-Spend, Warrington Road Transit Site

The reasons for the additional expenditure are summarised below:

- **An existing pole-mounted transformer was deemed inadequate and unsafe to provide a supply to the new site.** Scottish Power decided that it would be necessary to provide an additional sub-station. The total cost of the sub-station, which includes for design and construction of the building by our contractor in addition to equipment and installation costs from Scottish Power, is £72,289.
- **An initial investigation of United Utilities' records indicated a sewer along the length of Warrington Road to which a foul water connection should have been feasible.** However, following detailed on-site investigation it was found that the sewer was not suitable and United Utilities denied a connection application. To facilitate foul drainage a septic tank had to be installed. In order to minimise revenue expenditure associated with emptying the tank it was necessary to install a large tank costing £34,272.
- **The cost of water supply to site increased from the original estimated cost** since the main from which supply should have been taken was found to be unsuitable due to its size and condition. The supply had therefore to be provided from a more distant main. This cost totalled £10,173.
- **Other extra services costs** relate to protection of existing gas and telecommunications plant in the verge, connection charges to surface water sewer, and cctv survey requirements by United Utilities prior to allowing connection. These costs totalled £4,478.

Therefore the additional total cost for the provision of services to the site is £121,214. This sum excludes the installation of site drainage and associated works which are covered by the main contractor price.

- The original contract duration was exceeded due to significant delays in acquiring the Scottish Power supply. The risk of delays due to the service provider's timescales was recognised and mitigated through early communication with providers; however issues internal to Scottish Power caused a delay outside of the control of the Council. As a result, the contract had to be split into the main site works, and then a further phase for the installation of buildings, landscaping, electrical and fencing works to co-ordinate with Scottish Power's timescales. This incurred associated de-mobilisation and re-mobilisation costs of £41,273. This amount also includes security measures to protect the site during the closedown between the phases of work, contractual payments relating to a contractual extension of time and repeat visits from sub-contractors who had priced to carry out the works in only one visit at an agreed point in the programme.
- **Additional costs of £29,874, relate to alteration and refinements to the design.** These were issues which were unforeseen at the start of the works on site. However, it was necessary that the project commenced rapidly in order to meet the required completion of the works and allow for the occupation of the site by September 2008. The time constraints were due to the then requirements of the Castlefields Regeneration Programme. The marketing of proposed housing sites located adjacent to a temporary traveller's site had been delayed pending the relocation of the travellers. In order to achieve substantial capital receipts from these sites it was then envisaged that marketing would start in September 2008.
- **The risks associated with design alterations were taken into account in the selection of the form of contract.** The New

Engineering Contract (NEC) was selected. The NEC form of contract is now the norm as compared to the traditional 'Institute of Civil Engineering' (ICE) contract. It promotes partnership working between the contractor and client. Over-spend is proportioned between the two parties, as are savings, which encourages the contractor to work in an open book manner, to budget and to mitigate any over-spend. The use of ICE would have inevitably resulted in an increased over-spend.

- **Additional items amounting to a cost of £22,023 relate to increases in the construction thickness and defect correction works due to underlying ground conditions.** Initial site investigations excavated trial pits to a depth of four metres. Solid clay was evident to that depth and it was determined that the ground was solid and suitable for a normal construction thickness for the formation and concrete slab base. Unfortunately, cracking became evident following the casting of the first two sections of the concrete slab. Following investigation by structural engineers, it was concluded that this was caused by poor ground conditions underlying the limits of the trial pits. Vibrations from vehicular movements on Warrington Road were being transmitted via a peat band, at a depth of approximately 4.5 metres, which was causing ground movements and cracking. To take these conditions into account, a thickened slab, heavier reinforcement and thicker sub-base was then used.
- Sundry other minor items such as re-measures of estimated contractual sums and minor works including variations of specifications to items such as manhole covers totalled £15,402.
- **A cost of £4,324 was due to problems with the adjacent property and owner.** The continuing depositing of sewage adjacent to one boundary with the neighbouring site was identified during the early site clearance operations.

To summarise, the additional expenditure totals £234,110 incorporating:

Acquisition of Services	= £121,214
Delays	= £41,273
Design changes	= £29,874
Unforeseen Ground Conditions	= £22,023
Sundries	= £15,402
Issues with Adjacent Landowner	= £4,324
Total	= £234,110