

<b>Report To:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	21 March 2018
<b>Executive Member / Reporting Officer:</b>	Councillor Gerald Cooney - Executive Member, Healthy and Working Robin Monk – Director of Place
<b>Subject:</b>	<b>HYDE POOL EXTENSION</b>
<b>Report Summary:</b>	This report seeks approval to increase the capital budget for the Hyde Pool scheme by £88,280.72 or 2.85% to cover the costs associated with unavoidable inflationary increases and ground condition risk.
<b>Recommendations:</b>	That the Executive Cabinet APPROVES the increased capital budget by £88,280.72 to £3,185,000 for 2018-2019, which will allow works to start on site in May 2018.
<b>Links to Community Strategy:</b>	The Community Strategy 2012-2022 (and the Corporate Plan 2013-2018) outlines the priorities for improving the Borough of Tameside.  This proposal directly links to the Tameside Sustainable Community Strategy objective of ‘Healthy Tameside’.
<b>Policy Implications:</b>	This proposal supports the Tameside Health and Wellbeing Strategy and specifically the strategic priority pertaining to reducing physical inactivity and improved physical activity levels across Tameside.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	The Executive Cabinet approved a £20.4m leisure facility investment budget on 24 March 2016, which included £2m for the Active Hyde pool extension scheme. On 30 August 2017 Executive Cabinet approved an increase in the budget for the Active Hyde pool extension scheme of £1.096m, taking the total revised budget to £3.096m. This revised total budget of £3.096m was reflected in the three year capital programme approved by Executive Cabinet in October 2017.  This report seeks a further increase in the budget which will increase the overall budget to £3.185m. This increase in the overall budget can be funded from underspends on other capital projects reported in the period 10 Capital Monitoring report. However it should be noted that the cost analysis set out within section 2 of this report includes minimal contingency for any further unforeseen costs.  There is very limited contingency funding set aside for capital schemes, and any significant variation in capital expenditure and resources, will have implications for future revenue budgets or the viability of future capital schemes. Demand for capital resources exceeds availability and it is essential that those leading projects ensure that the management of each scheme is able to deliver them on plan and within the allocated budget.
<b>Legal Implications:</b>	Officers need to ensure that through robust project

**(Authorised by the Borough Solicitor)**

management techniques the project referred to in the report is delivered within the available budget and time frame. Clearly any variations over £100k will need clear and transparent governance.

The proposed contract route is via the LEP. At present the contract is in draft form and awaits approval by the LEP. The LEP will then need to appoint the subcontractor to carry out the works. Any delays in entering into the contracts will lead to a delay in the programme which will eat into the already limited contingency.

**Risk Management:**

There is a clear risk to both the Council and Active Tameside that delays to facility completion dates will impact on the opportunity for Active Tameside to realise the expected levels of additional revenue which will subsequently enable the Council to reduce the level of annual revenue investment payable during the existing contract period. The cost of delays to the Active Hyde scheme in unrealised income is estimated to be £6,000 per month.

**Access to Information:**

The background papers can be obtained from the author of the report, Ade Alao, Head of Investment and Development, by:



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## 1. INTRODUCTION

- 1.1 Executive Cabinet approved a £20.4m leisure facility investment budget on 24 March 2016 which included £2m for the Active Hyde pool extension scheme. Since then the cost of the scheme has increased by £1.096m to £3.096m.
- 1.2 The original budget estimate for the scheme was based on limited building survey information which made a number of assumptions about the feasibility of extending the existing mechanical, electrical and pool filtration systems at the existing facility. When establishing the likely cost of the scheme it was envisaged that much of the existing mechanical, electrical and pool filtration infrastructure could be adapted to support the new conventional pool installation keeping costs to a minimum.
- 1.3 Extensive surveys of the existing systems, commissioned since the Executive Cabinet report, have confirmed that services cannot be integrated as planned due to positioning, capacity and condition issues. This directly resulted in the cost increase of £1.096m. The additional investment to finance the increase was approved by the Executive Cabinet on 30 August 2017.
- 1.4 Tenders were received by the LEP on 2 May 2017, with Aspect Construction Group Limited (Aspect) being selected as the preferred contractor subject to Council approval. The Council's Strategic Planning and Capital Monitoring Panel (SPCMP) recommended award of a contract to Aspect and a budget of £3.096m on 10 July 2017, which was subsequently approved at Executive Cabinet.
- 1.5 Following the approval by Executive Cabinet, a head contract was issued by the Council on 10 October 2017, based on the standard Design and Build Contract agreed between the LEP and the Council in 2009. The head contract for the Hyde Pool Extension was agreed by the Council and the LEP in late October 2017.
- 1.6 The LEP issued a copy of the sub contract to Aspect on 23 October 2017. The sub contract effectively steps down all of the terms and conditions in the head contract to the sub-contractor. Aspect was uncomfortable with a number of clauses within the sub-contract.
- 1.7 Discussions continued throughout November and December 2017, between the LEP, Aspect and Council officers to work through the various outstanding issues. The outstanding issues are as follows:
  - a) Cost increases resulting from inflation on some elements of the work. The tender price was fixed until August 2017. Aspect have stated their inability to place firm orders for some of the Mechanical and Electrical elements of the project means that they now have to pay increased prices.
  - b) The fact that Aspect (nor other contractors who tendered) had not priced to take ground condition risk as it wasn't explicit in the version of the sub contract that the LEP issued accompanying the tender documents)
  - c) Aspect still have concerns that LEP could be placed in compulsory liquidation due to the fact that Carillion still has a 80% equity share in the LEP. Despite assurances that the LEP is a separate company and not impacted by Carillion's liquidation, their concerns remain. The warranty referred to in clause 31.1.1 of the sub contract states that the Authority 'may' step in.
- 1.8 This report seeks approval to increase the capital budget for the Hyde Pool scheme by £88,280.72 or 2.85% to cover the costs associated with unavoidable inflationary increases and ground condition risk. The Council cannot change the terms of the head contract and therefore the step in provision amendment proposed by Aspect cannot be achieved. Aspect has indicated that they are willing to enter in to contract, without amendment to step-in provision, if the additional budget requirement is met by the Council.

## 2. FINANCIAL SUMMARY

- 2.1 Following the meeting on 26 January 2018, Aspect reviewed their potential exposure to ground condition risk, based on the proposed project and the various surveys that have been undertaken. They have assessed the cost of the increased risk to take all ground condition risks to be £20,000.
- 2.2 In addition, in February 2018, Aspect estimated that the costs of the project have increased by £85,634.70, due to inflationary increases being passed on by suppliers and sub-contractors not a blank increase across the contract.

Area of Cost Increase	£
Pool	24,510.35
M&E	22,179.22
Concrete / cement	8,121.71
Joinery elements	7,686.39
Steel / metal	7,099.58
Masonry	6,077.86
Roof	4,993.27
Windows and doors	4,966.32
<b>Total</b>	<b>85,634.70</b>

- 2.3 Following additional negotiation, Aspect have confirmed that the Mechanical and Electrical contractor will reduce their price by £15,000 if the contract is agreed by the end of March 2018. The revised costs are shown in the table below.

<b>Hyde Pool Extension Cost Analysis</b>			
<b>Section</b>	<b>Aspect Price July 2018</b>	<b>Price as at 16th February 2018</b>	<b>Potential Contract Sum March 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
1. Main Building works	2,495,117.87	2,495,117.87	2,495,117.87
2. Preliminaries	187,844.00	187,844.00	187,844.00
3. Fees Included within D&B Contract	46,636.00	46,636.00	46,636.00
4. Client Provisional Sums (in contract)	54,597.00	54,597.00	54,597.00
5. OH&P	69,604.13	69,604.13	69,604.13
6. Additional survey risk & inflation	-	105,634.70	90,634.70
<b>Sub Total</b>	<b>2,853,799.00</b>	<b>2,959,433.70</b>	<b>2,944,433.70</b>
Architects Fees	47,313.00	47,313.00	47,313.00
Mechanical and Electrical Fees	25,990.00	25,990.00	25,990.00
Civil and Structural Fees	26,015.00	26,015.00	26,015.00
Quantity Surveyors Fees	21,525.00	21,525.00	21,525.00
Surveys	15,760.00	15,760.00	15,760.00
Project Management to Contract Award	4,422.00	4,422.00	4,422.00
Fee Risk Contingency	5,000.00	5,000.00	5,000.00
<b>Sub Total</b>	<b>2,999,824.00</b>	<b>3,105,458.70</b>	<b>3,090,458.70</b>
LEP Fee	23,998.59	24,843.67	24,723.67
Project Management Post Award	28,396.69	29,611.49	29,438.99
Independent Certifier	7,500.00	7,500.00	7,500.00
Legal Fees & Insurance	10,000.00	10,000.00	10,000.00
Contract Contingency	27,000.00	22,586.14	22,878.64
<b>Total</b>	<b>3,096,719.28</b>	<b>3,200,000.00</b>	<b>3,185,000.00</b>

- 2.4 The £20,000 cost increase in respect of the ground condition risk does not appear unreasonable given the type of construction planned and what is known of the ground conditions.
- 2.5 The total increase assuming that the contract is awarded by the end of March 2018 is - £88,280.72 or 2.85% of the approved contract sum.
- 2.6 This project has already been out to tender by the LEP on two occasions. The first occasion resulted in limited interest from the construction sector.
- 2.6 Re-procuring the contact again would incur a delay of approximately 5 months and almost certainly result in a contract price that is as competitive.

### **3. IMPACT ON PROGRAMME**

- 3.1 If the contract is executed by the end of March 2018, Aspect would be looking at a commencement on site approximately 8 May 2018. The tender programme showed a construction period of 45 weeks so completion would be in March 2019.

### **4. RISK MANAGEMENT**

- 4.1 There is a clear risk to both the Council and Active Tameside that delays to facility completion dates will impact on the opportunity for Active Tameside to realise the expected levels of additional revenue which will subsequently enable the Council to reduce the level of annual revenue investment payable during the existing contract period. The context of the additional revenue that would not be realised for each month facility completion is an estimated sum of £ 6,000 for Hyde Pool.

### **5. RECOMMENDATIONS**

- 5.1 As set out on the report cover.