

## **Report to the Cabinet**

**Report reference:** C-013-2011/12

**Date of meeting:** 18 July 2011



**Epping Forest  
District Council**

**Portfolio:** Housing

**Subject:** Springfields Improvement Scheme – Final Account.

**Responsible Officer:** Paul Pledger (01992 564248)

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

- (1) That in accordance with Contract Standing Orders, it be noted that the Final Account for the Springfields Improvement Scheme has been agreed in the sum of £3,660,000, which is £40,000 below the budget agreed by the Cabinet; and
- (2) That the lessons learnt from the post contract review, as set out in the body of the report, in respect of contingency sums and appropriate forms of contract to be used for large and complex refurbishment contracts be noted.

### **Executive Summary:**

At its meeting in July 2007, the Cabinet agreed to enter into a contract with Apollo London Ltd to undertake a major improvement scheme at Springfields in Waltham Abbey. Since then, the Cabinet has received regular 3-monthly progress reports until October 2009, when it was reported that practical completion had been achieved. At that meeting it was also recommended that a final report be presented to the Cabinet reporting the outcome of the Final Account. This report sets out an overall saving of £40,000 against the approved budget.

In addition, it is a requirement of Contract Standing Orders that for all contracts in excess of £1,000,000, a post contract review be undertaken to understand any lessons that the Council may learn for future contracts.

### **Reasons for Proposed Decision:**

This report is presented to the Cabinet in order to satisfy the requirements of Contract Standing Orders. The Cabinet is requested to note the outcome of the Final Account and the lessons learnt.

### **Other Options for Action:**

Since this report is for noting only, there are no other options for action.

### **Report:**

1. At its meeting in July 2007, the Cabinet agreed to enter into a contract with Apollo London Ltd to undertake a major improvement scheme at Springfields in Waltham Abbey. Since then, the Cabinet has received regular 3-monthly progress reports until October 2009, when it was reported that Practical Completion had been achieved.
2. Set out in the table below is a summary of the costs associated with the contract, and is in the

same format as the regular 3-monthly progress reports. In addition, there is a summary of the issues that were faced during the contract along with details of the claim from the Contractor in respect of the extension of time.

<b>Springfields Improvement Scheme – Progress Report: FINAL As at 15/06/2011</b>		
<b>Total Budget agreed by the Cabinet</b>		<b>£4,524,000</b>
Original Works Contract Tender Sum		£3,233,204
Contingency	Within the Contract	£ 0
	Within the budgets	£ 28,000
Total Contingency available		£ 28,000
Expenditure on Works to date		£3,660,000
<b>Actual Final Account on Works Contract</b>		<b>£3,660,000</b>
Pre-tender Estimate	Internal Fees	£ 200,000
	External Fees	£ 515,000
<b>Fee Out-turn</b>	<b>Internal Fees</b>	<b>£ 245,000</b>
	<b>External Fees</b>	<b>£ 442,000</b>
<b>Initial Pre-tender feasibility costs</b>		<b>£ 109,000</b>
Expenditure on all Fees to date		£ 687,000
<b>Total Outturn (Works &amp; Fees) inc. £28,000 contingency</b>		<b>£4,484,000</b>
<b>Comparison of Outturn against approved Budget</b>		<b>- £40,000</b>

3. Works commenced on the 65-week contract on 5 November 2007. Practical Completion was achieved on 14 August 2009, some 27 weeks after the contracted date of completion.

4. The main constructor was behind programme almost from commencement of the contract. This poor progress continued to accrue throughout the contract and was never pulled-back. Delays were accentuated after inherent flaws with the existing top floor French doors and windows were discovered and a late instruction was issued for their replacement.

5. The main constructor subsequently applied for a 28 week extension of time using this late instruction as an attempt to cover all of these delays.

6. The claim for the extension of time was carefully and fairly considered, based upon the time it took to design, survey, manufacture and install the replacement French doors and windows, together with all of the associated follow-on works. This resulted in an extension of time of 17 weeks being awarded. This left a period of 11 weeks unaccounted for, which the contractor attempted to negotiate, without success, for this additional time.

7. The Final Account set out in the table above includes for the full cost of the replacement doors

and windows together with the cost of additional site overheads/ preliminaries for the 17 week extension of time that was granted.

8. The Final Account also includes for the cost of additional works previously reported to the Cabinet during the regular progress reports; these include foundation and drainage problems amounting to around £40,000, concrete and mastic repairs amounting to around £77,000, and variations within the facades and balconies amounting to around £84,000. The claim for the extension of time equates to around £235,000.

9. In addition to the Contractor's claims for additional costs as a result of the extended contract period, the Council's Consultants are also entitled to additional costs relative to professional fees. These are included in the table above where a claim has been received and justifiable evidence provided. However, there remains a risk that other Consultants yet to submit a claim may do so. Therefore, it is recommended that a contingency of £28,000 be set aside for any late claim for additional professional fees only.

10. When compared against the budget within the Housing Capital Programme agreed by the Cabinet for undertaking the Springfields Improvement Scheme, the final outturn for both works and fees (including a contingency of £28,000 for any further claims for professional fees) is £40,000 below that budget.

11. The contact documents have been examined by the Chief Internal Auditor as required by Contract Standing Orders, who has approved the issue of the Final Certificate.

12. Having completed the contract and agreed the Final Account, a post contract review has taken place, in accordance with Contract Standing Orders, to identify any lessons that may be learnt and incorporated in any future contracts. The review identified two lessons as follows.

#### Lesson 1

13. Whilst all reasonable pre-works investigations were undertaken, when the contract was let, a contingency sum of £50,000 was included, which was for unforeseen works discovered during the construction period. This represented little over 1.5% of the contract value. With such a large and complex range of improvements being undertaken to an existing building where the original construction details were not fully known, it is considered that a contingency sum of at least 5% of the contract value would be more appropriate.

#### Lesson 2

14. On the advice of the Consultant Quantity Surveyor, the Council let the contract based on a Partnering Contract. Traditionally, the type of contract used for this type of work would be a JCT standard contract, which allows for Liquidated and Ascertained Damages (LAD) to be deducted for failure by the Contractor to complete the works within the contract period. Since Partnering Contracts do not allow for LAD's, then there was no incentive for the Contractor to expedite the works in a timely manner. Whilst Partnering Contracts are an excellent model form of contract, and being successfully used elsewhere in the Council, on this occasion, with the need to keep the contract period to a minimum so as not to disrupt the residents unnecessarily, having the opportunity to lever LAD's could have been a benefit. Therefore, this aspect should be taken into account when considering the form of contract to be used on future contracts.

#### **Resource Implications:**

Of the overall saving of £68,000 in the Housing Capital Programme, £40,000 is to be removed and placed into balances, with £28,000 remaining in the Capital Programme as a contingency for any further claims for additional costs associated with professional fees.

**Legal and Governance Implications:**

Housing Act 1985.  
Contract Standing Orders.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Extensive consultation with residents before and during the design stage. In addition, resident involvement in the tender evaluation process.

Residents were invited to select the colour scheme for the finishes to the render and painted elements.

The Roundhills Residents Association are informed of progress at each of their meetings.

**Background Papers:**

Previous Cabinet reports and Housing Portfolio Holder decisions relating to the Springfields Improvement Scheme.

**Impact Assessments:**

Risk Management

This report is for noting.

With the final account now agreed with the main contractor and a Final Certificate issued, the Contractor has no recourse to submit for additional costs. However, with the Consultants still having the opportunity to claim additional costs for Professional Fees, a contingency of £28,000 from the overall savings of £68,000 continue to be set aside.

Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A