

NEW DEPOT CONSTRUCTION

Summary and Recommendations:

This report advises on the current position in relation to the Design and Build Contract for the Council's new depot in Lysons Avenue and seeks a variation to the capital programme for 2018/19. The Council originally selected Kier for the design and build but having received more competitive build tenders, the build contract was awarded to Neilcott Construction. The background to the award and potential for additional costs due to possible novation issues and discovery of further contamination was covered in a report (COMM1715) to Cabinet on 13 June 2017.

During the build, additional costs have been incurred due to a significant increase in the amount of soil needed to be removed to achieve site levels and that this contained low levels of contamination requiring more expensive specialist disposal. The Council were also unable to novate all the contractors that had worked on the design stage with Kier, which added to costs.

The latest cost report from the Quantity Surveyor indicates an estimated overspend of £210,000 on an agreed budget of £3,180,000 and a completion date of mid-June 2018. Whilst the project is now in the 5th month of an 8-month build, there may still be other unforeseen costs particularly as the ground works are not finished, caused by delays with lowering the cables to the telecom mast and the pumping of ground water required to position the attenuation tanks.

Cabinet is recommended to approve the following to enable the completion of the new depot in 2018/19:

- (i) a variation to the capital programme for the construction of the new Council depot of £210,000 for the financial year 2018/19
- (ii) additional General Fund full financial year revenue costs in relation to the supplementary budget at (i), amounting to £1,260 interest on borrowing in 2018/19 & minimum revenue provision of £5,250 commencing in the year 2019/20
- (iii) an additional capital budget for further contingency requirements for the construction of the new Council depot of £100,000 for the financial year 2018/19 with any spend being agreed in consultation with the Head of Financial Services
- (iv) additional General Fund full financial year revenue costs in relation to the additional contingency budget at (iii), amounting to £600 interest on borrowing in 2018/19 & minimum revenue provision of £2,500 commencing in the year 2019/20

1. Introduction

- 1.1 This report provides an update on the Design and Build contract for the Council's new depot in Lysons Avenue which will support the Waste, Recycling and Street Cleansing Contract.
- 1.2 The latest cost report from the Quantity Surveyor indicates an estimated overspend of £210,000 on an agreed budget of £3,180,000 and a completion date of mid-June 2018. Whilst the project is now in the 5th month of the 8-month build, there may still be other unforeseen costs particularly as the ground works are not finished due to delays with the cabling to the telecom mast and the pumping of ground water required to position the attenuation tanks.
- 1.3 Due to the estimated increase in the construction costs, a variation to the capital programme of £210,000 is requested for 2018/19. An additional capital budget of £100,000 is also requested in 2018/19 to cover any further contingency requirements.
- 1.4 This is a key decision due to the significant capital expenditure involved and potential impact on our residents.

2.0 Background

- 2.1 The Council appointed Serco as its new service contractor from 31 July 2017 and as part of the new contract, the Council agreed to provide a depot, which is essential for the operation of the services.
- 2.2 The Council originally selected Kier for the design and build but having received more competitive build tenders, the build contract was awarded to Neilcott Construction. The background to the award and potential for additional costs due to possible novation issues and discovery of further contamination was covered in a report (COMM1715) to Cabinet on 13 June 2017.
- 2.3 The Council were unable to novate all the contractors that had worked on the design stage with Kier and therefore a design and build was agreed with Neilcott still based on Kier details and designs.
- 2.4 Extensive borehole sampling was undertaken prior to the purchase of the site, which showed some areas of contamination. Given the number of locations where asbestos had been identified Cabinet were informed that it was likely that further contamination would be found when the site was levelled for construction to start.
- 2.5 Whilst the contractors were aware of the sampling results and the possibility of further contamination, their costings were based on the majority of the spoil being inert. Neilcott had provided a small provisional sum to deal with some areas of asbestos and made it clear in their tender that any further costs due to contamination would be the responsibility of this Council for which some further contingencies had been set aside.

3.0 Additional costs and potential risks

- 3.1 Following the demolition of the buildings some of which contained significant asbestos, the demolition contractor left a very large granular spoil heap on site, which they tested as inert and which was to be used in the new depot foundations. Follow up tests required by the build contractor showed that it was contaminated with asbestos. This required its specialist removal and for a clean granular material to be imported for the foundations.
- 3.2 In addition, asbestos fragments were scattered around the site which entailed further unforeseen costs to safely remove. The Council has already submitted a claim against the demolition contractor.
- 3.3 The majority of the additional costs have been due to the significant increase in soil removed to achieve the site levels, which could not be accurately assessed until after the buildings were demolished. The costings for the removal of the soil were also based on it being classified as inert, but ongoing tests have resulted in the overall site being classified as non-hazardous. Inert soil contains no contaminants whereas non-hazardous means the soil has low levels of contamination such as asbestos fibres and high alkaline content, which requires significantly more expensive specialist disposal.
- 3.4 The Council were also unable to novate all the contractors that had worked on the design stage with Kier, which has added to both the design and build costs.
- 3.5 The Depot cannot be occupied until the highways works are complete. These require a S278 Agreement with Surrey County Council. Given the statutory notices, approval will not be known until May.
- 3.6 The contractor has confirmed a delay of 3 weeks due to issues related to the clearance of the site due to the contaminated spoil heap with an estimated handover in mid-June 2018, subject to there being no further delays.
- 3.7 In preparing the ground levels, cables (power and data) to the Telecoms mast on the site were uncovered, as these had been laid too near the surface. It has been agreed with the mast operator that the works to relocate them deeper will be carried out by the Council and that they will be recharged. These works are scheduled for mid-February.
- 3.8 Whilst around 80% of the soil has been removed from the site as non-hazardous the final cost will not be known until the remaining 20% in the location of the mast has been removed.
- 3.9 The project team have weekly management meetings to review progress, resolve issues, ensure there are stringent controls in place to reduce any additional costs and seek savings where possible. The Council have employed an independent Chartered Quantity Surveyor to assist with this work.

4.0 Implications

Risks

- 4.1 The Council is contractually bound to provide a depot to enable the delivery of the Waste, Recycling and Street Cleansing Service Contract and the Councils current site at Doman Road is available at least until 1 August 2018 and possibly longer subject to one months' notice.
- 4.2 Given the project is now well advanced and the building should be wind and watertight by the end of this month the outstanding potential risks have significantly reduced. Those that remain are linked to the completion of the highway works, the lowering of the data and electric cables to the telecoms mast, the completion of the attenuation tanks and the final costs of the soil removal.

Legal Implications

- 4.3 The General Power of Competence under the Localism Act gives the council power to do anything that an individual can do and thus the Council has power to construct new buildings required in connection with its waste service. The council also has a duty to collect domestic waste under the EPA 1990 and therefore the provision of the depot is ancillary to the discharge of this duty.

5.0 Financial and Resource Implications

- 5.1 The Council appointed Serco as its new service contractor from 31 July 2017. This will secure savings of around £320,000 in 2017/18, £600,000 in 2018/19, £680,000 in 2019/20 and then £720,000 pa from 2020/21 onwards.
- 5.2 The Council have maintained stringent controls during the Design and Build process to keep a tight control on expenditure and seek savings where possible. Given the potential risks shown above, there may be additional costs and therefore a capital budget has been requested to cover any further contingencies.

Budget Position:

Cost		£
Construction Works		
Contract Sum		2,589,436
Contract Instructions		609,829
Variations Awaiting Instruction		30,902
Provisional Sums		(151,006)
Serco operational requirements		71,864
Extension of Time		40,000
Projected final account (Excluding VAT)	£	3,191,025
RBC Additional costs		£
Professional costs		74,789
Additions – Statutory services and permissions		60,681
Spoil heap removal (seeking to reclaim)		16,160
Council fit out costs		67,342
Telecoms mast – rectification of cabling (reclaim from Mast operator)		(20,000)
Projected additional costs	£	198,972
Budget Position		
Agreed Budget	3,179,663	
Total projected spend	3,389,997	
Projected overspend	£	210,334

5.3 The projected overspend (Appendix 1) is made up of dealing with the additional non-hazardous soil (£565,000) and additional construction costs (£98,000). This has been offset by the contingency sum (£270,000), provisional sums (£151,000) and underspends elsewhere on the contract (£32,000).

5.4 The total estimated cost of the new depot site in relation to acquisition and construction will increase in relation to the request for additional construction issues (£210,000) and contingency increase (£100,000). The table below shows the total capital budget including the additional capital budgets included within the recommendations for this report

Total estimated cost of Depot site acquisition and construction		£
Total capital budget approved at Cabinet 13th June 2017		4,955,430
Capital budget required for additional construction matters		210,000
Capital budget now required for contingency purposes		100,000
Total capital budget including additional budgets included within this report		5,265,430

5.5 The Council will incur additional General Fund full financial year revenue costs in relation to the variation to the capital programme of £210,000 amounting to £1,260 interest on borrowing in 2018/19 & minimum revenue provision of £5,250 commencing in the year 2019/20. In relation to the additional contingency sum of £100,000, the General Fund full financial year revenue budget will incur £600 interest on borrowing in 2018/19 & minimum revenue provision of £2,500 commencing in the year 2019/20. An overspend of £210,000 on a capital project of £4,955,430 is a variation of 4.24% which with the £100,000 contingency could rise to 6.25%.

6.0 Conclusions

6.1 The build of the depot is essential to the future delivery of the service contract. The potential for additional costs due to possible novation issues and discovery of further contamination was identified at the award of the build contract. Additional costs have been incurred due to a significant increase in the amount of soil removed to achieve site levels and that this contained low levels of contamination. The Council were also unable to novate all the contractors from Kier to a new design and build with Neillcott Construction which has added to the costs.

Background Documents:

Waste, Recycling, Street Cleansing and Grounds contract
Draft depot lease
Tender documents
Planning application
Cabinet report 20 October 2015.
Cabinet report 15 November 2016
Cabinet report 13 June 2017

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APPENDIX 1

Additional soil removal costs

Additional disposal cost for non-hazardous soil	387,592
Expend provisional sum for ground remediation	34,167
Use stockpiled material for filling excavations	41,791
Import new 6F2 material for piling mat	49,054
Remove material from site in skip (Asbestos)	555
Excavate and remove bund at front of site	20,425
Asbestos air monitoring clarification	15,000
Spoil heap removal	16,160
	564,744

Increase in construction costs

Increased steelwork tonnage due to redesign	27,477
Provide and lay terram to consolidate soil pre-concreting	10,895
Remove concrete and buried timber	5,123
Clear shrubs and tree works	2,913
Excavate slit trenches and trial pits	1,951
Roof hatch to ensure safe access	7,241
Remove fence panels and secure neighbouring site	1,467
Change outer pane of glass	2,739
Changes to ironmongery	619
Provide and lay 3 ducts	3,000
Provide bars to composite floor on mezzanine	537
Provide slab edge detail to overcome levels to neighbouring property	3,000
Position of fence to rear of site	2,000
Changes to door sizes etc	1,000
RFI 25 - Infill catchpit 1.75 x 2.5 x 1.35	400
Draw pit boxes for cable access to external services	3,722
Manage and co-ordinate lowering of fibre optic cable	13,573
Ditch clearance	3,595
Additional Waste Acceptance Criteria tests	5,000
Additional concrete to mezzanine floor	2,000
	98,252