

Record of officer decision

Decision title:	Approval of contingency budget to finance “change events” that will mitigate risks occurring in the Shell Store project.
Date of decision:	14/8/19
Decision maker:	Interim Director Economy and Place
Authority for delegated decision:	<p>“Award of contract for the refurbishment and fit out of the Hereford Shell Store”.</p> <p>Officer decision taken by the Interim Director Economy and Place on the 31/1/2019.</p>
Ward:	Dinedor Hill
Consultation:	None taken.
Decision made:	<p>Approve the use of £169,907 from the Shell Store project contingency approved budget on the following expenditure items which have been raised as “change events” through the design implementation:</p> <ul style="list-style-type: none"> • £1,978 for appointment of BREEAM sustainability champion • £13,526 for asbestos removal to concrete slab; • £20,504 for temporary utility supplies; • £98,484 for ground works; • £35,415 for groundwork design fees;
Reasons for decision:	<p>The Shell Store incubation centre project is currently under construction. Barnwood are the principle contractor and Mace are the council appointed project managers liaising between the council as client and Barnwood as contractor.</p> <p>The Shell Store construction contract was agreed as a NEC4 Option A contract. This element of the project was a fixed price for an agreed specification. During the contract negotiations a set of contract risks were identified and agreed with the contractor. This register identified a series of project risks and the risk owner, either the council or the contractor. The mitigation of risks owned by the council may necessitate a change to the project specification and therefore contract cost.</p> <p>As works have commenced on site a number of the identified risks have emerged as live issues and Barnwood, via Mace, have raised a number of “change events” required to address the issues. These are addition works outside of the agreed specification for the main contract.</p> <p>The works are:</p> <p>The appointment of the BREEAM Sustainability Champion gains the project additional BREEAM points making it easy to achieve the necessary BREEAM status and potentially offsetting the need to introduce additional and more</p>

	<p>expensive actions to achieve the same result.</p> <p>Works to the concrete slab which forms the base of the building has uncovered asbestos within the slab which needs to be removed prior to further works to strengthen the slab and make drainage cuts within it.</p> <p>The temporary utility supplies are required as the permanent solutions which will be installed to the north magazine and Shell Store site have not progressed as planned due to delays in the wider budget sign off. These works have been ordered and are scheduled to complete on the 17th October.</p> <p>Following site investigations, it was noted that spoil from around the Shell Store site was classed as non-hazardous rather than inert. This meant the cost of disposing of this material from site would have been considerably higher than if this was inert, as it was assumed to be at tender stage.</p> <p>In order to reduce or eliminate the costs associated with carting this non-hazardous material from site, the design team have developed a groundworks scheme that retains all material on site. This is used as build up under the car park area, forms bunds around the site and is stockpiled on the adjacent site.</p> <p>All of the above risks were identified within the agreed project risk register as being owned by the council. As a consequence, now the risks have become live issues that need addressing the council have an obligation to address.</p> <p>Sufficient budget exists within the £328,388 contingency budget to accommodate these change events. There has been no expenditure incurred against this budget to date. There is no budget increase over the approved £7.316m as a result of this decision.</p> <p>As the Cabinet Member with responsibility for the Enterprise Zone Cllr Hitchener has been briefed on the current project position and has indicated his understanding of and support for the decision.</p>														
<p>Highlight any associated risks/finance/legal/equality considerations:</p>	<p>If approved, expenditure on the above works would total £169,907.</p> <table border="1" data-bbox="675 1462 1232 1955"> <tr> <th></th><th>Approved Budget (27/07/2018) based on cost plan</th></tr> <tr> <td>Main contract</td><td>6,455,528.00</td></tr> <tr> <td>Project/Design Fees (Client Direct)</td><td>196,671.00</td></tr> <tr> <td>Other project costs</td><td>53,489.00</td></tr> <tr> <td>Project Contingency</td><td>328,388.00</td></tr> <tr> <td>FF&E (Direct costs - separate package)</td><td>281,915.00</td></tr> <tr> <td>Total</td><td>7,316,000.00</td></tr> </table> <p>The identified works will be funded through the contingency budget. Sufficient budget exists within the contingency budget to accommodate the works without any increase to the overall project budget of £7.316m.</p> <p>Mace have advised officers of further anticipated change events amounting to</p>		Approved Budget (27/07/2018) based on cost plan	Main contract	6,455,528.00	Project/Design Fees (Client Direct)	196,671.00	Other project costs	53,489.00	Project Contingency	328,388.00	FF&E (Direct costs - separate package)	281,915.00	Total	7,316,000.00
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	<p>an additional (estimated) £48,723 of expenditure. This expenditure will be subject to a separate officer decision(s) when defined costs have been identified. Mace have not identified any further anticipated change events. Officers will work with Mace to establish the likelihood of future change events occurring, and at what projected cost.</p> <p>There are health and safety implications of this work namely in the removal of asbestos and in use of the inert material within the site spoil.</p> <p>Barnwood will appoint an appropriately qualified asbestos removal company to survey and remove the asbestos identified. The inert material will be landscaped and capped as mitigation.</p>
Details of any alternative options considered and rejected:	<p>In terms of the asbestos removal and temporary supply works the only alternative option would be to not conduct the works. Undertaking this as an option would result in the project not being able to proceed.</p> <p>In terms of the ground works, Mace reviewed options to remove the spoil off site. Taking this option would have incurred an estimated £220,000 of additional fees so was discounted in preference to the recommended decision. Not undertaking the works would result in the project being able to proceed.</p>
Details of any declarations of interest made:	Not applicable.

Officer Name: Richard Ball

Officer Title: Director Economy and Place

Signed:

Date: 14 August 2019