

<b>Agenda Item No:</b>	<b>6</b>	
<b>Committee:</b>	<b>Cabinet</b>	
<b>Date:</b>	<b>27 January 2025</b>	
<b>Report Title:</b>	<b>Wisbech High Street Update</b>	

## **1 Purpose / Summary**

- 1.1 To provide Cabinet with a monthly update regarding:
  - Ongoing construction work at 24 High Street, Wisbech.
  - Progress regarding the options for 11-12 High Street, Wisbech.
- 1.2 To highlight additional costs incurred for the construction of 24 High Street.

## **2 Key Issues**

### **24 High Street**

- 2.1 Etec, FDC's main contractor, continues with the construction work on 24 High Street, Wisbech. Brickwork is completed, roof works substantially completed, and progress is clear to see – enhancing the High Street.
- 2.2 Work is now able to commence inside the building with first fix electrical and mechanical works, window carpentry, floor screeding and partitioning all underway in January.
- 2.3 The expected completion date is currently April 2025 following recent negotiations with the contractor. This has been a difficult site with recent issues including;
  - Additional insulation within walls required (due to the state of walls either side of our building)
  - Roof abutments likely to be difficult to marry together
  - The nature of the frontages of the buildings meaning that they will be offset from each other – like the rest of the street
- 2.4 Now that the shell of the building has been mostly completed, the number of potential issues should be reduced. That said, the project team expects issues being raised by the contractor regarding internal soil pipework and the roof abutments for the joins to the buildings either side of 24.
- 2.5 As highlighted in previous Cabinet reports over the past few months, the contractor has asked for extensions of time (EoT) for several issues that have become apparent throughout the build, namely;
  - Piling works
  - Additional slab works to ensure the building fits into the space required and the delays caused by the necessary design for this work
  - Additional materials not included on the original bill of quantities (BoQ) and the time taken to fit these materials

- Changes necessary to the steels for the front of the building
- 2.6 The project team rejected the claim for piling works as this is a contractor item.
- 2.7 The total EoT requested by the contractor for the additional items was 22 weeks. Discussions regarding these items has been underway for several months and was resolved in early January. Whilst both parties highlight that the issues are a combination of factors due to a complex site, the best compromise possible, to ensure progress with the build continued, was to settle at 15 weeks EoT. This has a cost of approximately £162,000.
- 2.8 Whilst the cost has been settled at 15 weeks EoT, the contractor still requires the 22 weeks of time to complete the project, meaning that completion is currently likely in April 2025. The Council will not be charged for the additional preliminaries cost of the extra 7 weeks.
- 2.9 Additional costs, directed to be instigated by Etec as a client (i.e FDC) instruction, have also been incurred throughout the build, with significant items being:
- The adjustment of the scaffolding at 11-12 High Street (£25,000) to ensure it was not in the footpath creating a safety issue as the same was required at 24 High Street for the works opposite.
  - LABC Structural warranty (£78,000)
  - Insurance costs (£17,500)
  - Movement monitoring systems to assess movement in the buildings adjacent to number 24 (£27,500) to ensure ongoing safety of the site and the adjacent buildings
- 2.10 The current construction works financial situation is as follows:
- |   |                |
|---|----------------|
| Original Etec construction cost:        | £2.829m        |
| Client instruction costs added to date: | <u>£0.246m</u> |
| Revised cost, pending other issues:     | £3.075m        |
| Additional costs incl. EoT 2/3/4 below: | <u>£0.189m</u> |
| <b>Current best cost estimate:</b>      | <b>£3.264m</b> |
- 2.11 In 2022 when Council approved the project, the construction cost was capped at £3m due to the procurement framework used. The agreement regarding EoT claims from the contractor now puts the current best cost estimate at £3.264m by 25 April 2025 when construction is currently expected to complete.
- 2.12 Officers are reviewing the original Council report regarding this project and are seeking further legal and financial advice in regard to a potential change of funding arrangements for the building, as well as the governance necessary for the cost overrun. Once advice has been received a report to Cabinet will be prepared for February.

### 11-12 High Street

- 2.13 Revised design works are underway to reduce the cost of developing 11-12 High Street. A more substantive report will be presented to Cabinet regarding options at February Cabinet.

### 3 Recommendations

- 3.1 That Cabinet notes the current anticipated overspend on 24 High Street and that Cabinet is to anticipate a further report in February.
- 3.2 That Cabinet notes that until the building is completed there may be other additional costs, albeit these are anticipated to be more minor in nature, as the complex part of the building works are completed. It is anticipated that further costs will be addressed by way of a Portfolio or Officer Decision Notice.
- 3.3 That Cabinet notes that officers are seeking further information with regards the funding mechanism for the building and a further report regarding this will be submitted to Cabinet in February.

Wards Affected	Medworth ward	
Forward Plan Reference	KEY21APR22/01	
Portfolio Holders	Cllr Chris Seaton Cllr Ian Benney Cllr Chris Boden	Portfolio Holder for Social Mobility and Heritage Portfolio Holder for Economic Growth Leader of the Council and Portfolio Holder for Finance
Report Originator	Phil Hughes	Head of Service
Contact Officer(s)	Phil Hughes Mark Greenwood Paul Medd Peter Catchpole	Head of Service Head of Property, Assets and Major Projects Chief Executive Corporate Director and S151 Officer
Background Papers	Previous monthly Cabinet reports regarding Wisbech High Street  July 2022 Cabinet and Council reports regarding 24 High Street, Wisbech	

## Report:

### **4 SUMMARY FINANCIAL POSITION**

Original Etec construction cost:	£2.829m
Client instruction costs added to date:	<u>£0.246m</u>
Revised cost, pending other issues:	£3.075m
Additional costs incl. EoT 2/3/4 below:	<u>£0.189m</u>
Current best cost estimate:	<u>£3.264m</u>

### **5 BACKGROUND AND INTENDED OUTCOMES**

- 5.1 Cabinet receives a monthly report regarding Wisbech High Street and in the past few months the prospect of additional costs has been made clear. In the past month the actual figures have now been agreed – by way of a compromise – between both parties.
- 5.2 This report provides Cabinet with a monthly update regarding:
- Ongoing construction work at 24 High Street, Wisbech.
  - Progress regarding the options for 11-12 High Street, Wisbech.
- 5.3 To highlight additional costs incurred for the construction of 24 High Street and to seek formal approval for this additional funding.

### **6 ADDITIONAL COST DETAILS**

- 6.1 Detailed information regarding Extensions of Time (EoT) requests regarding EoT 2/3/4 - the additional cost of £189k highlighted in the financial summary above.
- 6.2 As highlighted in recent Cabinet reports, the project team has been discussing three Extension of Time (EoT) requests with our contractor, Etec. There was also another initial EoT (EoT 1) claim regarding piling works. The Council rejected this claim as piling works were within the purview of the contractor, so any issues / delays with the method used has fallen for the contractor to address and pay for.
- 6.3 The weekly cost to the Council in terms of Etec's preliminary costs is approximately £11,000.
- 6.4 Etec has claimed 22 weeks EoT across the three recent claims. The council's project management team has asked Etec for further information and there has been an ongoing dialogue regarding EoT 2 (setting out of the building) and EoT 3 (materials and the bill of quantities (BoQ) and labour requirements for the changed BoQ).
- 6.5 Resolving a mutually agreeable sum for both EoT 2 and EoT 3 has not been possible over the period of the past three months.
- 6.6 This is a complex project and the Council's team does agree that Etec are owed some EoT to complete works, but both parties disagree on the extent of time.

#### **EoT 2 (12 week claim)**

- 6.7 The Council sought legal advice regarding the setting out issues that precipitated EoT 2. The advice received was that Etec should be able to rely on drawings provided to them by the client (i.e. the Council), despite the project team being clear that a good contractor would have used best endeavours to deliver the project on time by checking in advance that there were no laying out issues – and if there were to then advise the client in advance to ensure a prompt adjustment if necessary. Both parties are fixed on final figures that are 4 weeks apart. EoT 3 (6 week claim).
- 6.8 The BoQ and additional materials and changed materials has been resolved in terms of materials and their cost (a reduction in excess of £100,000 on Etec's original claim). However, both sides cannot agree regarding the extension of time required to fit the revised materials and quantities.

#### **EoT 4 (4 week claim)**

- 6.9 This is a claim due to a cost regarding a delay to the front of the building and the building steels and adjustments and time required to ensure these fitted in place in terms of the buildings either side of the new build at 24 High Street.

#### **EoT Resolution**

- 6.10 On 20 December 2024 Etec made an offer to resolve all three EoT's. This offer consisted of Etec still requiring the 22 weeks additional time added to the project timetable to complete the works, but being 'reluctantly prepared to accept' a cost of only 15 weeks. In effect this is discounting their preliminary costs.
- 6.11 After careful consideration, and in the best interests of the project and the expected completion in spring this year, the Council's project management team has decided to accept this cost and time, whilst stating that we do not agree that a 22 week delay is attributable to the employer and commenting that the progress on site and site management remains disappointing. Additionally, ongoing weekly progress meetings are to be instigated to mitigate any further delays.

## **7 REASONS FOR RECOMMENDATIONS**

- 7.1 The Council is in a contract with Etec to build 24 High Street. Throughout any building contract there will arise issues that add cost into a project as well as options that the client (i.e. the Council) may wish to implement as the build progresses.
- 7.2 Whilst 24 High Street is a difficult site on which to deliver the building, progress has continued at a reasonable pace. The initial piling and then slab works were difficult with ground conditions terrible, but the team has moved beyond this phase and the building shell is mostly complete.
- 7.3 Cabinet is to note the anticipated cost overruns, pending a further report in February regarding governance arrangements. It is necessary to increase the budget for the project from the originally agreed sum, due to issues on the build.

- 7.4 The mechanism for funding the build may change to a loan from the Public Works Loan Board. Officers are considering this approach and a further report to Cabinet will be prepared for February.

## **8 CONSULTATION**

N/A

## **9 ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 The Council is in a legal contract with Etec Limited to build 24 High Street. No alternative options are available given the contractual position of the Council.

## **10 IMPLICATIONS**

### **10.1 Legal Implications**

Legal advice has been taken in relation to the terms of the contract to inform negotiations with the contractor.

### **10.2 Financial Implications**

As highlighted, the cost of the build for 24 High Street has increased. Fortunately, the project is in the final stages and the chance of further increases remain real, but those increases, if they do occur, are expected to be more minor in nature.

### **10.3 Equality Implications**

N/A

### **10.4 Any Other Relevant Implications**

- 10.5 If the Council proceeds with a build at 11-12 High Street, in the site opposite 24 High Street, it is necessary to take the learning from the 24 High Street project into account.

- 10.6 Whilst the market for this sort of work has settled down since 2022 and the post-covid building work scramble that included significantly raised costs of materials, FDC should take into account the following for 11-12 High Street;
- Another demanding site at 11-12 with the necessity to drop a compound into a location other than the High Street.
  - Ground conditions are likely to be difficult
  - Any budget for 11-12 needs to include a significant contingency and optimism bias budget