

# Symington Building Redevelopment

## ORIGINAL CONTRACT

1. HDC let a contract with Willmott Dixon, under the SCAPE national framework, in January 2013 to complete the redevelopment of the Council offices; now the Symington Building. The contract was let as an NEC3 Option C contract, at £4,784,086.
2. NEC3, Option C form of contract was chosen because:
  - It is an open book form of contract: Option C requires the contractor to analyse and present a monthly valuation of all contract packages (as the Board will now be familiar) which must be certified by a competent representative of the client (LCC are carrying out this role for HDC) prior to monthly payment. It is therefore the most transparent method to manage the contract, with a very granular breakdown of costs.
  - It is very useful approach for managing any design uncertainty and likelihood of change to the contract. At the time of going to contract, while a design freeze had been applied on the general arrangements for the design, the details of the individual package designs and specifications had not been resolved; Option C requires all movement and change in contract costs to be managed through what is referred to as Compensation Events (CE's), which have to be presented to the clients' representative and then reviewed, approved and signed off before any purchasing can take place by Willmott Dixon. It was therefore very important that this level of control was applied to manage the changes that may have occurred in cost as the design developed and individual contract packages, such as Mechanical and Electrical work were refined and finalised.
3. The contract was originally scheduled over 47 weeks, with a contractual end date of the 20<sup>th</sup> December 2013.
4. In addition to the funding for the Willmott Dixon contract, there were further sums allocated for Fees, ICT, Furniture and Decant totalling £775,000. In addition, a Contingency was included in the sum of £200,000.
5. On 3<sup>rd</sup> June 2013, Executive approved the addition of the Museum/Library into the SCAPE contract at a cost of £571,411. This element was to be funded via a grant from the Market Harborough & Bowdens Charity of £380,000 and a capital contribution of £158,000 from Leicestershire County Council. The remaining £33,411 was to be funded from the HDC contingency.
6. There have been a number of design changes requested by Leicestershire County Council during the course of the project for works to the 1<sup>st</sup> floor. These costs will be fully borne by LCC and as such additional funding will be available to cover these items.

## REVISED CONTRACT

7. Scape Contract

At the July Board Meeting, HDC were presented with an option to move to a fixed price under Option A of the NEC contract. The advice was that the majority of design uncertainty had been resolved and the contractual risk register almost completely subsumed into specific subcontract packages, therefore, a move to NEC3 Option A might be considered. At that stage, the approved Compensation Events previously described totalled £17,654, as such, the indications were that costs were being managed appropriately, and as such the option was not pursued as it was agreed that the loss of future savings would be lost and that the risk of cost overspend was limited.

A financial report was sent to LCC on 30 July 2013 by Willmott Dixon. This paper showed a significant change in the financial status of the project, with compensation events totalling £220,692. At this stage, there was no information provided to HDC by LCC in this regard.

Following a site inspection by the Project Sponsor in early August 2013, a number of design changes were requested based on our belief that the financial situation was good. We subsequently held a meeting on 14 August 2013 with Willmott Dixon, and LCC representatives to discuss the outcome of the project Sponsor's visit and other outstanding design decisions to enable Willmott Dixon to progress the project and help achieve the required completion date. At this meeting, there was no indication that the financial situation was such that many of the changes could cause a potential overspend on the budget.

During late August there were indications from LCC that the financial aspect of the project had deteriorated. It became fully apparent to HDC on 6 September 2013, on receipt of Willmott Dixon's Financial report no. 15 from LCC, that there was a risk of over spend with Compensation Events totalling £259,416 in addition to a number of early warnings.

At the Board Meeting on 11 September 2013, it was agreed that we would further explore the NEC Option A price with Willmott Dixon.

Subsequent to the Project Board meeting in September 2013, HDC, LCC and Willmott Dixon have explored the Option A fixed price. A meeting was held on 18 September 2013, where all issues were discussed, as well, as those works to be included in any Option A offer.

Following the meeting, and subsequent discussions, HDC have received an offer from Willmott Dixon of £5,552,852 to agree a fixed price, which includes the museum/library works. This was reduced to £5,542,000 and mitigated up to £100,000 of extension of time and other charges.

The increases to the original Willmott Dixon contract fall in to six broad categories;

- Museum/Library (previously outlined)
- Design Development (changes as the full design had not been completed prior to awarding of the contract).
- Statutory Compliance (works required to ensure the building complies with all statutory requirements)
- Lettings Requirements (Works associated with securing lettings of the offices and retail units)
- HDC Design Requirements
- LCC Design Requirements (previously mentioned)

As part of the Option A review, we have agreed to remove several works packages from the Willmott Dixon contract to ensure project completion in December 2013. The three areas removed are;

- Cycle Shelter
- Wayfinding, External Signage and Banners
- Internal Signage and Interior Design (except statutory fire signage)
- Civic Suite Audio/Visual Requirements

HDC will now procure these packages direct.

8. It is recommended that a review of the project management arrangements are undertaken post completion of the project, in particular focussing on the cost control of the Willmott Dixon contract and the role of LCC.