

Overview and Scrutiny Committee Report

Report of Director of Service Delivery

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## **Guildford Sportsground Pavilion Refurbishment – an account, the issues, and the learning**

### **Executive Summary**

The Council as Trustee identified the need for a refurbishment of the Pavilion in 2016 followed by feasibility work and a planning application. Following design work and estimates, a budget of £1,900,000 was approved in July 2016. Artelia were appointed as Quantity Surveyors and Project Managers, and Rolfe Judd as the Design Team. The project was tendered and four tenders were returned. Beard was appointed as the most economically advantageous tender in terms of both price and quality. The refurbishment commenced in October 2016 and was completed in April 2018.

Additional works were instructed as part of the construction contract, which included the boundary fence and car park resurfacing. Additional costs arose during the project, including non-achievement of identified savings, additional fees, variations, and internal recharges, adding up in total to £325,969.

A number of learning points have been identified in this report, many of which have now been addressed in the Council's governance and approach to projects. It does highlight the issue of ensuring adequate resourcing of projects, the problems that can occur with contractors, the issues with value engineering and being responsive to what the market indicates in tender returns.

### **Recommendation to Committee:**

That the Committee

1. Note the *account* of the recent refurbishment of Guildford Sportsground Pavilion,
2. Consider *the range of issues* that arose which contributed to the overspend or variance, and
3. Recommend to the Executive the *schedule of learning* for its application to other construction related projects.

Reason(s) for Recommendation:

The Council is a learning organisation and the beneficial learning from this project has a direct application to other Council construction related contracts, which will improve contract management performance and resilience to financial exposure.

**Is the report (or part of it) exempt from publication?**

Yes – in part. Sections where stated 'Exempt' and Appendix 1.

- (a) The content is to be treated as exempt from the Access to Information publication rules because of its commercial sensitivity and is therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows: Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- (b) The content is restricted to all councillors.
- (c) The exempt information is not expected to be made public because it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- (d) The decision to maintain the exemption may be challenged by any person at the point at which the Council is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

## **1. Purpose of Report**

- 1.1 The purpose of this report is to enable Overview and Scrutiny Committee to explore the learning points arising from the Council's experience in delivering the project to refurbish the Guildford Sportsground Pavilion.

## **2. Strategic Priorities**

- 2.1 The redevelopment of Guildford Sportsground Pavilion delivered on two key strategic priorities from the corporate plan of the time:
  - *Our Borough:* The redevelopment of Woodbridge Road Sportsground was contained in the Corporate Plan for delivery in 2018, through working with our partners Surrey County Cricket Club and Guildford Cricket Club.
  - *Your Council:* The project would contribute to improving value for money and providing efficient services through financial savings through enhancing use.

## **3. Background**

### **3.1 Pre Construction**

- 3.1.1 The Council is the sole trustee of the Woodbridge Road Sportsground Charitable Trust created in 1912 (Charity Number 305056). The Council subsidises this charity through funding its management and upkeep, including the ground and

associated buildings to meet the objects of the charity and the Council's obligations as the sole trustee. The previous condition of the Pavilion was recognised in 2016 as an impediment to its wider community use, and the need for its refurbishment became a priority.

- 3.1.2 From 2013, Guildford Cricket Club (GCC) and Surrey County Cricket Club (SCCC) had been considering plans to redevelop the Guildford Sportsground Pavilion to support the use of the site for cricket as the previous facilities had a number of issues, for example being life expired, unfit for purpose and not compliant with current accessibility standards.
- 3.1.3 In 2015, SCCC funded feasibility work in consultation with GCC up to RIBA (Royal Institute of British Architects) stage 3, and the plans were presented to the then Leader of the Council and Officers in 2015. SCCC went on to apply for planning permission which was duly approved on 21 July 2015.
- 3.1.4 Following this the Council agreed to take on the next phase of technical design and to prepare to tender the project. The Council utilised the East Shires Procurement Organisations (ESPO) framework to appoint the existing design team. This route was chosen to maintain continuity of the design team, ensure that the fees charged represented value for money, to avoid a further time delay in re-procuring these services in an open tender and to try to maintain a programme where works could take place in the cricket off season. The decision taken by the then Managing Director to support this was made under urgency provisions. This decision was reported to the Executive on 31 May 2016;

*“to move £200,000 from the provisional capital programme to the approved programme for the Woodbridge Road Sportsground pavilion redevelopment (scheme reference PL29(p)) to enable and keep on schedule the redevelopment of Woodbridge Road Sportsground Pavilion”.*

- 3.1.5 Following this technical design was undertaken to prepare for tender and a revised cost estimate prepared. This formed the basis of a budget of £1.9M which was approved by the Executive on 19 July 2016 in order to proceed to tender. The report considered the need to undertake the works and the partnership opportunity. Part of this decision evaluated whether it would be better to refurbish and extend (£1.9M) or demolish and rebuild (2.3M)
- 3.1.6 The building works were estimated at £1,489,772 plus a contingency sum of £172,653 and professional fees of £236,757.
- 3.1.7 The budget was comprised of £496,432 in Section 106 contributions, £300,000 in grants (from SCCC and GCC), £575,000 in future capital receipts generated through a capital disposal and £529,000 of capital funding from the Council.

## **3.2 Delivery – Mobilisation**

Following the Executive decision the project was taken on by two project officers (prior to the creation of the major projects team) to tender, appoint, and manage the actual build.

The project was tendered in accordance with the Council's procurement procedure rules and public contract regulations and four tenders were returned after a pre-qualification process. These are listed in Appendix 1 which is confidential and exempt under paragraph 3 of Part 1 of Schedule 12A to the LGA 1972).

### **3.2.1 Exempt**

- 3.2.2 Beard were appointed to this construction contract with tender price of £1671,913. The tenders were evaluated on a combination of Price (30%) and Quality (70%). As well as being the lowest tender, Beard was also the highest scoring tender in relation to quality. Their contract sum was then value engineered to a contract sum of £1,563,614. Beard were appointed under a Joint Contracts Tribunal (JCT) contract.
- 3.2.3 As part of their appointment, a further target for value engineering of £180,299 was agreed and felt deliverable by Beard to contain the project within the agreed budget and estimates.
- 3.2.4 The tender required that the contractor achieved the refurbishment and extension as far as possible within the cricket off season from October 2016 to April 2017. Beard deemed that broadly feasible within their tender submission whereas other contractors had indicated this would not be possible.
- 3.2.5 The project commenced in October 2016 and was completed in April 2018 some 12 months behind schedule. A number of issues arose during construction, and the actual cost of construction exceeded the budget.

### **3.3 Exempt**

- 3.3.1 Additional works, which were originally out of scope, were instructed as part of the construction contract to:
- replace the boundary fence to the rear of the pavilion due to the works required to bring in new utility services and the existing fence was not economical or feasible to repair and,
  - resurface the car park, this was omitted at tender as a value engineering saving, but again nearing end of life and affected by construction works therefore it was necessary to resurface.

These were funded from other capital budgets as the works were planned for future years, specifically the Woodbridge Road fence replacement fund and the Parks car parks and footpaths repair/resurfacing fund. These had a combined value of £84,835.

### **3.3.2 Exempt**

### 3.4

#### 3.4.1 – 3.4.5 Exempt

- 3.4.6 Financial Implications: Following the process of settling the final account, it has had the following impact on the overall budget for which additional monies were vired from the capital contingency fund:

Professional Fees	£ 286,415
Internal Staff Costs	£ 21,388
Works Contract	£ 1,998,000
Cottage Sale Impact (Lower than estimated sale price)	£ 5,000
<b>Total</b>	<b>£ 2,310,803.91</b>
Other budget funding (From schemes PL57 and PL35)	£ 84,835.00
Project budget	£ 1,900,000.00
<b>Total Budget</b>	<b>£ 1,984,835.00</b>
<b>Variance over budget</b>	<b>£ 325,968.91</b>

- 3.4.7 The scheme has been funded by £496,432 in Section 106 contributions, £300,000 in grants (from SCCC and GCC) and £570,000 in future capital receipts generated through a capital disposal. This will make the Council's net capital contribution £875,969 or 38% of the total project cost.

## 4.0 Learning Points

### 4.1 Governance and Business Case:

- 4.1.1 **Business case:** A robust process was not in place at the time of the project to examine the business case or cases for this project. The need to refurbish or rebuild the pavilion was clear because of its inadequate and poor existing condition but other scales and options of redevelopment should have been considered. The decisions focussed around one scheme developed by the Cricket clubs. Arguably some wider community consultation should have been undertaken in relation to the charitable objects of the site to underpin the decision on the facilities needed.

- 4.1.2 **Project Management Governance:** The project would have benefited from going through various gateways common in project management approaches. The Council was not party to early discussions on the need to rebuild or refurbish the pavilion and the early feasibility work looking at need and demand for the extent of the refurbishment. While all relevant decisions were taken in accordance with the constitution, consideration of the full range of options early on would have been beneficial to help determine if the scheme was the right thing to do. There was not a consistent established project board in place at the time of inception of the project or throughout the project now as is common practice throughout the Council.

#### **4.1.3 Partnership Governance:**

The project has been undertaken in partnership with SCCC and GCC which has yielded £300,000 in contributions and some significant goodwill from SCCC in funding early feasibility work and other investments at the ground. Partnerships bring stakeholder pressure, expectations, needs, conflicts and compromise. Some early terms of reference or memorandum of understandings would have benefitted the project to set some governance arrangements/rules of engagements between the partners and the charitable restrictions on the site.

- 4.1.4 Whilst these are concerns, the Council now has established project governance in place and better processes to oversee projects. This includes project boards, working groups, utilising the HM Treasury Green Book principles on developing business cases, reporting to the major projects board and the development of the major projects/programmes team and programme governance as part of the Future Guildford programme

#### **4.2 Exempt**

#### **4.3 Managing Contractor Performance**

##### **4.3.1 Clerk of Works**

A Clerk of Works provides a check and balance on construction progress, workmanship, and technical details. Initially a member of the asset management team agreed to take this role on in part but soon left the authority without replacement. This left a gap and there was insufficient monitoring of the contractors' performance.

Best practice in future construction related contracts should be to budget for the employment of a Clerk of Works, present on site at all critical moments of the contract, and reporting all faults or non-compliances directly to the Client and Contract Administrator as well as to the Contractor. It is also recommended that they are appointed at RIBA stage 4 to input/challenge/check on the technical design to assist with design issues to limit on site technical issues and further expenditure.

##### **4.3.2 Part Exempt**

Overall there was insufficient officer and technical resource to manage this project effectively from within GBC. Consideration of having resilient project management in place is needed; for example deputies and project files and records.

Where Service Leaders/Managers take on major projects it places a considerable workload on that service comprising either service delivery or project management. Service Leader roles should cover a client function on a major project but day to day project management be covered elsewhere. Major projects need to be properly resourced to ensure effective delivery.

##### **4.3.3 Exempt.**

#### **4.3.4 Exempt**

### **4.4 Budget:**

#### **4.4.1 Internal Recharges**

Bringing another service leader to run the project brought the additional cost of internal salaries which were unanticipated and for which there was no budgetary provision. A consistent approach to capital recharges to Council projects is needed across all projects as some services cross charge and others do not. The early identification and inclusion in budgetary estimates are essential for dealing with any internal recharges.

#### **4.4.2 Variations**

Client variations were minimal for this scale of contract indicating that the design and specification was broadly right at the outset and there no significant change in scope. It is inevitable that additional works will occur in a scheme, sometimes these are items that have been overlooked, are additional enhancements that are deemed beneficial as the project progresses, represent the opportunity to deliver value for money or respond to matters that arise during construction that were not known, forecast or planned for.

#### **4.4.3 Contingency Sum**

The contingency sum was easily expended early on in this project dealing with the unexpected issues and the unforeseen problems on site. A 10 % (£172,000) value of the works was allowed for the scheme and broadly covered the unforeseen issues that arose. However, given that it was a refurbishment and extension of an old building built by volunteers, the tenders returned and the value engineering targets it should have been reviewed and assessed as to whether it catered for the project risks.

Council projects should consider the approach towards the provision and scale of contingency sums and the risks present. Some good examples are now present within the Council for example the former proposed museum redevelopment where a costed and weighted risk register has been put together to determine the estimated contingency sum required.

### **4.5 Rebuild or refurbishment/extension**

At the end of the project it is also important to reflect on whether refurbishment and extension was the right choice at the time of tender. Based on the information known and the relevant professional advice the refurbishment and extension option offered a £400,000 budget advantage to the Council as well as a shorter programme which suited budget and the operational impact on the site. A new build may well have been more effective; however we would likely still incur issues around variations, programme, statutory utilities adding some additional cost. The extent and impact of those issues may have been significantly less than the refurbishment/extension option. Overall, it is considered that the route chosen was more cost effective. Refurbishment was also more sustainable from a materials perspective.

## **5.0 Financial Implications**

- 5.1 The financial implications are set out in the body of this report.

## **6. Legal Implications**

- 6.1 Closer alignment between project governance and compliance with the Public Contract Regulations 2015 will assist the Council achieve more robust outcomes for the Council. It is therefore suggested that Legal Services are engaged at the outset of the project to ensure compliance with the Local Government Act 1999 (Best Value Duty).
- 6.2 Robust contracts and on-going contract management are essential to ensure the Council's interests are protected. Officers should obtain advice on governance, contract terms and possible contractual enforcement from the Council's Legal Services Team to ensure legal and commercial compliance. The Legal Services Team also has access to a framework of external lawyers if further specialist advice required.

## **7. Human Resource Implications**

- 7.1 There are no human resource implications arising from this report

## **8. Key Risks**

- 8.1 There are no risks arising from this report

## **9. Consultation**

- 9.1 Consultation has occurred with Artelia, and other professional colleagues involved.

## **10. Suggested issues for overview and scrutiny**

- 10.1 The Overview and Scrutiny committee is asked to consider the following
- a) To note the account of the project from start to finish
  - b) To consider and progress the learning from this project set out in section 4
  - c) To make any recommendations to the Executive it considers appropriate.

## **11. Conclusions**

- 11.1 **Exempt**

- 11.2 **Exempt**

- 11.3 The Council needs also to address the inevitability of additional works in major construction related contracts, as well as the need to provide adequate risk assessed contingency sums to cope with the unforeseen and the unexpected.

- 11.4 The Committee is asked to ensure that the learning from this project forms part of the on-going consideration for other Projects, and especially construction related Projects, for which the Council is responsible into the future.

- 11.5 Artelia represented the Council's interests effectively to deliver and close out the scheme despite the difficult circumstances.

## **12. Background Papers**

[Executive report: Woodbridge Road Sportsground Pavilion Refurbishment Approval of Capital Funding, \(Item 7\) 19 July 2016](#)

[Executive Shareholder and Trustee Committee report: Woodbridge Road Sportsground, varying of the Trust to remove designated land,\(Item 3\) 26 September 2017.](#)

[Executive Shareholder and Trustee Committee report: Consultation: Making the most of Guildford Sports Ground at Woodbridge Road \(Item 4\). 25 September 2018](#)

[Executive report: Guildford Sportsground Management Company, 19 March 2019.](#)

## **13. Appendices**

Appendix 1: Contains this report with exempt sections included, plus the tender sums and the 7 January 2020, Executive report: 'Woodbridge Road Sportsground Settlement of Final Account' (Part 2 exempt report) appended.  
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