

Surrey Heath Borough Council

Executive

9 March 2022

Task and Finish Group report on the Public Realm Camberley Town Centre Project Overspend

Portfolio Holder: N/A
Strategic Director: N/A
Report Author: Adrian Flynn, Chief Accountant
Key Decision: No
Wards Affected: N/A

Summary and purpose

At the Performance and Finance Scrutiny Committee meeting held on 8th September 2021, the Performance and Finance Scrutiny Committee Task and Finish group resolved to instruct the Chief Accountant to undertake a review of the circumstances leading to the increased costs of the Public Realm project. The purpose of this report is to report the Chief Accountant's findings and recommendations to the Task and Finish Group

Recommendation

The Performance and Finance Scrutiny Committee is advised to RESOLVE to note the findings and recommendations of the Chief Accountant.

1. Background and Supporting Information

- 1.1 In 2017 the Council submitted a bid to the Enterprise M3 Local Economic Partnership (EM3LEP) for £3.5M as a contribution towards the improvement of the public realm in High Street, Knoll Walk and Princess Way in Camberley Town Centre. The following the successful bid, the Executive approved a recommendation to contribute £900k from developers' contributions and income from CIL to meet the total expected cost of the works.
- 1.2 At the February 2018 Council Committee meeting, the Council resolved to increase the capital programme to include funding of £4.4 million for the Public Realm works.
- 1.3 In May 2021 the Executive was asked to recommend to Council that an additional £754,600 be added to the Capital Programme, to be funded from the Council's reserves, in order to meet additional costs resulting from Covid 19 and the discovery of unknown underground utility services. The additional works required a significant redesign of the scheme to accommodate and protect these services. It is not uncommon for the overall cost of a project to increase as a result of additional works that could only be discovered by intrusive inspection.

2. Key Issues

- 2.1 The Chief Accountant has reviewed the relevant decisions which gave effect to the administration and management of the public realm works in relation to the terms of reference set out by the Task and Finish Group and the key findings are as follows.

Decision making and authority

- 2.2 At the Executive Committee meeting held in December 2017 the Executive resolved that:-
- (i) up to £900k from current and future CIL and section 106 contributions be used on the High Street Public Realm Improvements; and
 - (ii) authority be delegated to the Executive Head of Regulatory in consultation with the Leader, to take forward the delivery of the High Street Public Realm Improvement Project.
 - (iii) RECOMMENDED to Council that a Capital scheme be approved for £4.4m for the High Street public realm.
- 2.3 It is clear from the recommendations that the Executive Head of Regulatory was authorised to manage the project and the contents of the report confirms that the project management included budget management.

Tendering Process

- 2.4 The Tender process took place during Spring/Summer of 2019 and five companies submitted tenders. Having reviewed the tender process, the tender documentation and after speaking to the Council's procurement officer, I believe that the whole process was carried out correctly and in accordance with the Council's procurement regulations at all times.
- 2.5 There was an extension to the original tender deadline of a week due to clarification on points within the document that was issued and tenders were received by the new deadline date.
- 2.6 The Assessment panel included both Council officers including the project manager and external professionals with skills in this area of construction and quantity surveying.
- 2.7 All five companies who submitted tenders were treated equally throughout process.

Funding of the Project

- 2.8 I would refer to Gavin Ramtohal's recent Monitoring Officer's report into the public realm project, attached as an annex to this report, where he lays out the funding of this project. I believe the extent of the cost overrun became apparent in early spring of 2021 regarding costs that were not associated with Covid-19 and subsequently a report was submitted to the Executive in May 2021 requesting a supplementary estimate to increase the Budget.

Increased Budget

- 2.9 The initial estimates of the extra overrun costs have reduced from the initial £755k down to approximately £400k at the time of writing this report. The extra budget was added to the Capital Project/Programme following approval by the Executive and full

Council in May 2021. There has been no final decision on which reserves will be used to fund this overspend at this time.

Exceeding the approved budget & Reporting Requirements

- 2.10 The May 2021 Executive report set out the reasons for the overspend resulting from Covid 19 and the discovery of unknown underground utility services. In relation to construction projects, particularly construction projects undertaken during the Covid-19 pandemic lockdown, these represent legitimate financial risks. The Council did engage the services of WH Stephens as quantity surveyor's from an early stage in the project. The use of a specialist cost consultant represents industry best-practice as a means of ensuring cost control during the life of a capital project.
- 2.11 The Executive Head of Regulatory acted within the delegations authorised by the Executive and authorised expenditure, but it is considered that the potential overspend should have been reported earlier to assist with the risk management and to seek approval for a supplementary estimate.

3. Reasons for Recommendation

- 3.1 The Task and Finish Group is advised to note the findings of the Chief Accountant and consider the following recommendations. It has been noted that officers have established internal operational monitoring arrangements that review spend on capital projects on a monthly basis to ensure that they are on time, on budget and meeting the standards set out in the specification. The intention is to report to the Performance & Finance Scrutiny Committee and Executive on a quarterly basis under a stand-alone report covering the capital programme in full.
- (i) Initial estimates for capital projects at the planning stage should consider building in a level of contingency depending on the likely risk involved in the project. A higher contingency may be required for construction projects as these works carry significantly more risk of additional costs due to a higher risk of additional works which could not be discovered by site inspection. The Treasury Green Book supplementary guidance on 'optimism bias' should be noted and observed by all project managers and included in all project appraisals and evaluations.
 - (ii) Initial Estimates for complex construction capital projects should be undertaken in consultation with a related professional either an Engineer or Surveyor, and any option appraisal should be made in consultation with a finance professional.
 - (iii) The Council should consider if large (>£1million pound) or significant capital projects should be managed by a specific project board, with a finance officer to be a member of that board with a remit of budget monitoring and financial governance.
 - (iv) The Council's Section 151 Officer to provide quarterly monitoring reports on capital projects to the Executive and the Performance and Finance Scrutiny Committee.

4. Proposal and Alternative Options

- 4.1 Not applicable.

5. Contribution to the Council's Five Year Strategy

5.1 Not applicable.

6. Resource Implications

6.1 Not applicable.

7. Section 151 Officer Comments:

7.1 As set out in the main body of the report.

8. Legal and Governance Issues

8.1 As set out in the main body of the report.

9. Monitoring Officer Comments:

9.1 Not applicable

Annexes

Report of the Monitoring Officer

Background Papers

None