

**OLD TOWN STREET / NEW GEORGE STREET
PUBLIC REALM WORKS - BUDGET UPDATE**



1. EXECUTIVE SUMMARY

- 1.1. Since September 2023 when the main construction contract was entered into, Old Town Street/New George Street project costs have increased. The required budget for the project has increased by £1,294,524 to a total of £18,089,650. The main reasons for the increase are project delays, issues concerning utilities, concrete slabs and retailer deliveries. Additional funding in the form of corporate borrowing is now required to complete the project.
- 1.2. It is also necessary to increase the value of the current contract with Morgan Sindall by £1,106,053.86 to a total value of £7,183,187.86.

2. BACKGROUND

- 2.1. In September 2023 an Executive Decision was published which increased the budget of the Old Town Street-New George Street project by £2.7m to £16,752,850 and authorised the award of a contract valued at £6,077,134 to Morgan Sindall for the main contract works following an earlier series of short form contracts for enabling works.
- 2.2. In June 2024, the Section 151 approved the addition of £42,276 High Street Action Zone funding, that became available from other Better Places projects (Facades). Bring the approved Capital Budget up to £16,795,126.
- 2.3. The total combined value of construction contracts with Morgan Sindall for the Better Places schemes Old Town Street, New George Street and Civic currently stands at £12,493,623.57

3. PROPOSED CHANGES AND REASONS

- 3.1. The project has been complex to deliver and costs have increased in consequence of a number of issues including:
 - It not being possible to retain as much of the existing concrete slab as expected and therefore needing to lower utilities to construct the new slab
 - Additional costs of safely excavating around utilities using a vac-ex machine
 - Programme delays resulting from coordination with utility companies
 - Unexpected and unchartered services
 - Off-site constructed concrete slabs needing to be installed in front of shop doorways to maintain access
 - Contaminated materials, unexpected voids and structures
 - Managing shop deliveries in Royal Parade and through New George Street via the sundial
 - Relocating the granite store to facilitate development of the original store.
- 3.2. These items are client risk.
- 3.3. The agreed form of contract is NEC4 Engineering and Construction Option A. Under this form of contract Compensation Events may occur, for example, because of changes to the scope and/or site information including unforeseen and unexpected changes. The listed events are wide ranging and cover many scenarios which could result in a change to the cost of the

work, or the time needed to complete it. If a council owned risk occurs, the Council is required to pay for the cost of addressing that risk on top of the contract sum.

- 3.4. There have also been increased costs outside of the Morgan Sindall contract due primarily to increased costs of utility providers.

4. ALTERNATIVE OPTIONS

- 4.1. The strategies available are to reduce costs or to make more funding available.
- 4.2. Given the advanced nature of the works, there is no longer significant opportunities to 'value engineer' or reduce scope to reduce the project costs.
- 4.3. Alternative funding sources include reallocating Transforming Cities Funding but there are other funding pressures within the programme and there would not be enough funding to close the current Old Town Street and New George Street funding gap.
- 4.4. The final, and recommended option is to secure corporate borrowing of £1,294,524 over 40 years to complete the works.

5. FINANCIAL IMPLICATIONS AND RISK

- 5.1. An additional allocation of £1,294,524 funded through corporate borrowing needs to be added to the capital budget of the Old Town Street and New George Street public realm project to meet the additional project costs and thereby increasing the total project costs to £18,089,650. The other funders are Transforming Cities Fund, Historic England and the Local Economic Partnership. Where possible the requirement for corporate borrowing will be mitigated by reallocating existing external funding within the capital programme.
- 5.2. The budget includes a remaining risk allocation of £401,200.
- 5.3. The current contract with Morgan Sindall Construction Ltd needs to be increased by £1,106,053.96 to a total value of £7,183,187.86 to reflect:
 - (a) Compensation events under the NEC Contract due to project risk:
 - Old Town Street/New George Street - £660,376.84
 - Civic Square - £13,468.45
 - (b) Historical Old Town Street/New George Street extensions of time = £432,208.57
- 5.4. As we are still in construction, compensation events are still being evaluated and new issues will arise, therefore the final costs may vary from those stated. All Compensation Events will be assessed for value for money by the project Quantity Surveyor before instruction.

6. TIMESCALES

- 6.1. The increase to the project budget is needed now to continue to meet the requirements of the project and the Morgan Sindall contract.

7. DECISIONS

- 7.1 This Executive Decision requests approval to:

- To increase the value of the current contract with Morgan Sindall Construction and Infrastructure Ltd by £1,106,053.86 to a total value of £7,183,187.86 to complete public realm works in Old Town Street and New George Street as part of the Councils programme of Better Places Programme of public realm improvements.
- To approve the allocation of an additional £1,294,524, to the capital budget of the Old Town Street and New George Street public realm project, funded by Corporate Borrowing. Thereby, increasing the total project costs to £18,089,650.