


<b>Individual Mayoral Decision Proforma</b>  Decision Log No: 184	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Ann Sutcliffe, Acting Corporate Director Place	<b>Classification:</b> Part Exempt
<b>Tower Hamlets Town Hall – Contract Sum Risk Contingency Approval</b>	

<b>Is this a Key Decision?</b>	<b>Yes</b>
<b>Decision Notice Publication Date:</b>	21 November 2018
<b>General Exception or Urgency Notice published?</b>	<b>Yes</b> (General Exception Notice published 21 November 2018)
<b>Restrictions:</b>	The appendices are exempt under Paragraph 3 of Schedule 12A of the Local Government Act 1972.
<b>Reason for seeking an Individual Mayoral Decision</b>	Approval is sought via an IMD to secure a funding allocation to provide for an additional client-held contingency budget to help manage remaining risks on the project. An Individual Mayoral Decision is required in this instance on the basis that further delays in authorising the contract will have significant project cost implications and cause programme delays.

## EXECUTIVE SUMMARY

This report requests consideration of an additional risk contingency allocation to be approved through an Individual Mayoral Decision (IMD) towards the new Town Hall project as agreed by the Project Board and following advice from the Acting Corporate Director of Finance. The proposed contract sum of £109.5m (which includes the PCSA period and enabling works contract value), when added to the design and planning costs incurred on the project (and committed) to date of £5.9m gives a total cost of the project at the point of signing the contract that is £115.4m. This is £400,000 above the total approved funding available to support the delivery of the project.

The key variances between the project costs today and those reported to the cabinet in June 2017 are:

Realisation of additional asbestos risk	£5m
Increase in OHP rates	£2m
Additional inflation costs beyond Stage 3a cost plan	£1.1m
Additional design team fees beyond Stage 3a cost Plan	£0.9m

Loss of Barts Funding (funding exceeded costs associated with compliance with terms of funding)	£0.75m
<b>TOTAL</b>	<b>£9.75m</b>

The reconciliation above is a high level summary of changes – detailed variations following market testing of component packages have been assessed by the Council's independent cost consultant.

The target date for entering into the main JCT design and build contract with our preferred contractor is week commencing 26<sup>th</sup> November 2018. Political sign off of this IMD to secure and approve the additional project risk contingency of £5m which is considered important prior to the signing of the main contract. A failure to sign by the end of November would incur additional costs associated with programme delay. The £5m reflects 5% of the total contract sum (taking into account the PCSA and Enabling Works to date). The main contractor is taking on the majority of building related risks including construction inflation; design development and co-ordination; all risks on the new-build element; and, risks in the ground. However, a number of risks remain with the council; an assessment of those risks has been appraised by the Projects' Employer's Agent (appended as an exempt report) which has been presented to the Project Board.

Full details of the decision sought, including setting out the reasons for the recommendations and/or all the options put forward; other options considered; background information; the comments of the Chief Finance Officer; the concurrent report of the Head of Legal Services; statutory implications; Risk Assessment; Background Documents; **and other relevant matters are set out in the attached report.**

## **DECISION**

The Mayor is recommended to:

- a) Approve an additional client-held contingency budget of £5m to help manage remaining risks on the project.

**APPROVALS**

**1. Corporate Director proposing the decision or his/her deputy**

I approve the attached report and proposed decision above for submission to the Mayor. I confirm that the Mayor and/or Lead Member have agreed to this decision being taken using this process.

Signed .....  ..... Date .....

**2. Chief Finance Officer or his/her deputy**

I have been consulted on the content of the attached report which includes my comments.

Signed .....  ..... Date .....

**3. Monitoring Officer or his/her deputy**

I have been consulted on the content of the attached report which includes my comments.

(For Key Decision only – delete as applicable)  
I confirm that this decision:-

- (a) has been published in advance on the Council's Forward Plan OR
- (b) is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.

Signed .....  ..... Date .....


**4. Chief Executive**

I have been consulted on the content of the attached report which includes my comments where necessary.

Signed .....  ..... Date .....

**5. Mayor**

I agree the decision proposed in the recommendations above for the reasons set out in paragraphs 1.1 – 3.2 in the attached report.

Signed .....  ..... Date 29/11/18