

<p><b>Individual Mayoral Decision</b></p> <p>22 September 2021</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Ann Sutcliffe, Corporate Director of Place</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Island Gardens Café with public access toilets – Increase in scheme cost</b></p>	

<b>Lead Member</b>	Cllr Mufeedah Bustin, Cabinet Member for Social Inclusion
<b>Originating Officer(s)</b>	Jane Abraham – Interim Head of Capital Delivery
<b>Wards affected</b>	Island Gardens
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the key decision criteria
<b>Forward Plan Notice Published</b>	15 September 2021
<b>Strategic Plan Priority</b>	<p>Priority 1 – People are aspirational and have equal access to opportunities.</p> <p>Priority 2 – A borough that our residents are proud of and love to live in.</p> <p>Priority 3 – A dynamic, outcomes-based Council using digital innovation and partnership working to respond to changing needs of our borough.</p>

## **Executive Summary**

The purpose of this project is to design a new build single storey café with public toilet access to replace the existing café on site.

This project is part of the South Isle of Dogs Masterplan programme for open spaces in South Isle of Dogs. Part of this masterplan includes the redevelopment of the existing café within Island Gardens which is to be progressed as a stand-alone project.

The Council's Open Space strategy recognises the challenges that high population growth, high demand for housing and reducing public sector resources present for the provision and maintenance of publicly accessible open space; as well as the important role that access to green space plays in promoting health and wellbeing. Given the limited opportunities there are for creating new open space, the protection and enhancement of existing open space is of crucial importance. One of the key aims of the Open Space Strategy is to Enhance - Improving the quality, biodiversity, usability and accessibility of existing publicly accessible open spaces which this project would achieve.

## **Recommendations:**

The Mayor is recommended to:

1. Approve the increase of the total scheme budget of £0.692 by a further £0.291m from identified s106 receipts due to the lowest tender price received being higher than the approved budget. The scheme has a shortfall of funding to meet the additional cost of surveys, associated fees and for a contingency allowance.
2. Authorise the Corporate Director Place to award the contract in the tendered sum and to authorise the execution of all agreements in relation to the implementation of the award.

## **1 REASONS FOR THE DECISIONS**

The contractor procurement process commenced earlier this year and resulted in tender returns exceeding the original project estimate provided in May 2020.

The UK construction industry generally has experienced considerable delays due to the impact of Brexit and Covid-19, and many Contractors and Suppliers have reported a rise in the cost of materials, and pressures with supply chains with the industry relying on imported materials. Contractors are therefore approaching tenders more cautiously to ensure their submissions are robust to cover further price increases, material shortages and extended lead-in times once orders are actually placed after a contract

award.

In addition, the tender market is also incredibly active at present. Contractors can therefore be more selective in the tenders they price, again resulting in a general increase in prices.

Following a period of value engineering, the construction costs for this project have been reduced, but still exceed the approved budget.

## **2 ALTERNATIVE OPTIONS**

2.1 Without the additional funding the contract would not be awarded.

## **3 DETAILS OF THE REPORT**

3.1 Following the approval of the £0.442m from s106 for the development of Island Gardens Café (including public toilets) by Cabinet on 26<sup>th</sup> January 2021 as part of the 2020-24 Approved Capital Programme, the project estimate has increased.

In addition to the funding for this project on s106 an approved amount of £0.250m from LIF has been granted for the provision of public toilets in Island Gardens.

With the current approved budget for LIF and s106 totalling £0.692m there is still a shortfall in budget of £0.291m which would be required in order to award this contract as stated in the Reasons for Decision above.

Once a budget approval is in place, the construction contract can be awarded. The current programme is for work to start on site in November 2021, with forecast completion in July 2022.

The new café is expected to provide a revenue stream to offset the capital costs.

### **Reasons for Urgent Consideration**

The end of standstill letter has been issued to the winning bidder. The Contract Award letter is unable to be issued until approval is obtained to increase the budget. As a consequence of the contract award being further delayed the start on site date will slip as there is a lead-in period for materials to be ordered from when the purchase order is raised by LBTH to the contractor. This then risks the scheme forecast completion date in Summer 2022.

## **4 EQUALITIES IMPLICATIONS**

- 4.1 The café provides space for all genders and would be available to all residents and visitors. There are no faith/religion impacts nor impact on ages. The site will be fully accessible for wheelchair users. The café will be available to all local residents and visitors regardless of sexual orientation. The café will provide facilities to all socio-economic groups regardless of a persons status in society for income and education level. Consultation and ongoing communications has fostered good relations with the community and a community organisation with keen interest to protect Island Gardens park.

## **5 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 5.1 This report seeks approval to increase Island Gardens Café project within the approved 2020-24 capital programme by £0.291m.
- 5.2 The total approved budget for the project is £0.692m which is funded from a combination of S106 (£0.442) and LIF (£0.250m).
- 5.3 The increase of £0.291m will bring the total approved budget for the project to £0.983m and this will be funded from an already identified S106 pot.
- 5.4 Any running costs relating to the Island Gardens café will be charged to the corporate landlord model (CLM). It is anticipated that the income generated by the café will cover these costs, resulting in a net nil impact on the budget position. However, if income is insufficient to cover the costs of running the café then any shortfall will need to be managed within existing budgets and mitigated within the CLM.

## **6 COMMENTS OF LEGAL SERVICES**

- 6.1 The Council has the legal power to undertake the activity described in this report.
- 6.2 The Council has a legal duty to obtain Best Value. In part the Council demonstrates compliance with this legal duty by subjecting the works it purchases to competition on the open market. In this case, the best tender based on the blend of quality and price to meet the Council's needs was received at a price greater than the Council's initial budget. Therefore, for the purposes of "economy" in the definition of Best Value it is unfortunate that the bid is greater than the Council's initial budget but would appear to be the cost of the works based on the open market at the current time. Therefore, whilst it is an apparent increase in cost, the Council may be assured that the final tender cost still represents Best Value in the statutory sense.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE.

### **Appendices**

- NONE.

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE.

### **Officer contact details for documents:**

N/A