

OFS Capital Project Report – Funding & Cost Update

Project	Old Fire Station
Author	Paul Quinney, Project Manager, Allen CC
Owner	OFS Project Board
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Period Covered	22nd June 2010 – 23 July 2010

Summary

Following return of the contractor’s final price submission tabled at the Project board and confirmation that HCA will continue to support the scheme, the Construction Contract is to be prepared for acceptance. Following further investigative works and the receipt of the Contactor’s Stage 2 Tender it is considered appropriate to revise the works contingency budget from 15% to 12.5%. The revised OFS Project Total now stands at £3,521,763 an increase of £55,051 or 1.6% on the currently agreed budget.

The overall funding available for the project has increased by £100,000 to £3,566,712, as a result of CRISIS confirming funding at £200,000, unconditionally, and other funding contributions remaining in place. This produces a surplus of funding over project cost of (£3,566,712 - £3,521,763) £44,949 which can be applied to the Year 0 costs, which when taken together with £20,000 from Oxford City Council’s Arts Budget effectively meets the Year 0 funding requirement of £65,000.

Funding

The agreed capital funding for the project is £3,466,712 and was broken down as follows:

HCA	£2,882,393 (includes additional support)
CRISIS	£100,000 (overall potential £200k)
Oxford City Council	£70,000 (Capital Repairs budget)
Oxford City Council	£414,319 (Approval for prudential borrowing or capital receipt given by CEB).
Total	£3,466,712

However, following the confirmation of the original HCA funding and clarification from CRISIS that they can meet a £200k contribution the potential funding for the project could now be as follows:

HCA	£2,882,393 (includes additional support)
CRISIS	£200,000 (overall potential £200k)
Oxford City Council	£70,000 (Capital Repairs budget)
Oxford City Council	£414,319 (Approval for prudential borrowing or capital receipt given by CEB).
Total	£3,566,712

Contractor Stage 2 Tender

Following return of the Contractor Stage 2 Tender for this project the return was as follows:

Cost Element	Target	Actual (TC5)	Variance	Comment
Works	£2,181,054	£2,284,756	£103,702	Reflects 94% cost certainty
Risk (Works Contingency)	£327,158	£285,604	(£41,554)	Reduces risks to 12.5% (includes risk on theatre works)
Works Total	£2,508,212	£2,570,360	£0	
Fees Total	£550,000	£550,000	£0	
FFE Total	£408,000	£401,403	(£6,597)	Theatre risk included above.
OFS Project Total	£3,466,712	£3,521,763	£55,051	Overbudget

Budgetary Implications

The current agreed Budget including risk at 15% is as follows:

<u>Cost Element</u>	<u>Approved Budget</u>	<u>Stage F Estimate</u>	<u>Tender</u>
Works	£2,434,098	£2,227,680	£2,284,756
Works Contingency	£365,115	£350,154 (risk maintained at 15%)	£285,604 (risk reduced to 12.5%)
Works Total	£2,799,213	£2,627,834	£2,570,360
Fees Total	£550,000	£550,000	£550,000
FFE Total	£229,500	£408,500	£401,408
OFS Project Total (Exc.VAT)	£3,466,712	£3,561,334	£3,521,763

Following the return of tender extensive value engineering has taken place, together with further opening up and review of the building. The above shows that the proposed Tender is still £55,051 above the original budget with the risk reduced to 12.5%, retaining this at 15% would add a further £57k. The Design Team and contractor have undertaken extensive testing and opening up including:

- Type 3 Asbestos Survey (No asbestos found)
- Drain Surveys (Drainage runs and connections to George Street are good)
- Opening up of isolated areas (Structure assumptions positively reviewed)
- Core hole samples of walls and floors (found to be sound)
- Floor surveys (a number of upper floors retained)

Consequently the Design Team believe this reduction in risk from 15% to 12.5% to be a reasonable in the circumstances.

Programme

The agreed project programme remains achievable despite a 2 week delay as a result of a period of funding uncertainty. Start on site has been deferred to 9th August 2010 but the programme will still deliver a June 2011 opening, subject to formal appointment of ROK formally by 30th July.

Risk

Risk Management continues to form part of the project process

The risks assessed in the current project include:

1. Design Development Risks
2. Construction Risks
3. Employer Change Risks
4. Employer Other Risks

12.5% overall risk remains included within the proposed revised budget figures above. The Design Team in conjunction with the preferred contractor has undertaken a number of investigations on site to evaluate the identified risks. The overall risks which have now been validated by these investigations are included with the contractor return.

Options

Following solution of the potential funding uncertainty and return of the above Stage 2 Tender, the resultant options have been identified:

<u>Option</u>	<u>Budget Impact</u>	<u>Overall Impact/Action</u>
1. Accept Contractors tender with 12.5% risk	£3,521,763 Within revised budget as above	Risk reduced to 12.5%. Can be contained within increased budget
2. Increase Works provision to allow 15% contingency	£3,578,763 Over budget	Risk maintained at 15%. Insufficient funds available
3. Further value Engineering/scope reduction to reduce to original budget and risk	£3,466,712 As agreed budget	Value Engineering required to further reduce scope, likely to affect artistic vision and delay project start

Other Considerations

Year 0 Costs – The Year 0 Costs of £65k are proposed require be funded from a contribution of £20k from Oxford City Council Arts budgets, together with the balance of £44,949 from the revised funding package.

Conclusion

Following return of the contractor tender the overall total estimated project cost is £3,521,763 which is 1.6% above the original budget but nevertheless contained within the revised funding package of £3,566,712. .

The Project Team now needs to be able to appoint ROK by 30th July to maintain the programme or agreement of options and associated risks identified above.

Recommendation

Approval is sought to:

- Increase the funding package to £3,566,712
- Revise the works contingency from 15% to 12.5%
- Appointment of ROK as preferred Contractor at the agreed time, noting that the revised Total Project Cost is estimated at £3,521,763 which represents an increase of £55,051 or 1.6% on the original project cost estimate.
- A contribution of £44,949 to Year 0 costs.