

Forde House Decarbonisation Project Urgent Decision Briefing Note

Part 1 Report

Full Council 28/04/22

Introduction

On 13th April 2022, an Urgent Decision was made to allocate up to £846k of additional capital funding to cover the increase in cost and revised energy modelling, financing, and rental income assumptions of the Forde House Decarbonisation works. The decision was made following the Constitution under Section 7(a) [Financial Procedures: Budget and Policy Framework](#), paragraph 1.4.

Reason for Making an Urgent Decision

To enable an urgent funding decision to be made following Midas Construction Ltd (Main Contractor) going into administration, in order to secure an alternative contractor to complete the works and protect grant funding secured for the project.

Impact on Original Business Case

Cost increases related to appointing an alternative contractor to complete the works include:

1. Material and labour shortages
2. Unprecedented levels of inflation. The BCIS All-in TPI construction index shows an 8.5% year-on-year increase for Quarter 2 2022.
3. Higher preliminaries and main contractor overhead and profit margins
4. Extended delivery construction period
5. Anecdotal evidence that we are operating in a limited market
6. Increased consultancy fees to manage the administration and appointment of new main contractor

Alternative options considered as part of decision making process

Whilst reviewing our options we have also considered a walk away position. This is not considered a viable alternative way forward because of the following factors:

- Would not achieve the primary objectives to reduce carbon at Forde House
- Reinstatement costs would be high

- We have already spent £925,713 on the project most of which would not be recoverable. Potentially recoverable costs relate to grant-funded equipment which could be returned, though a re-stocking fee would be incurred.
- We would have to repay the remaining unspent grant value of £360,299.55
- The following works would still need to be completed
 - Replacement of current gas heating system
 - Reinstatement of removed ceiling, floor and wall finishes, electric cabling, external works

Date of this document 13/04/22.