

APPENDIX 1

Harberton Flood Management Scheme – lessons to be learnt following over-expenditure of approved Capital budget.

Approved budget – Executive 3 March 05	£133,000
Outturn expenditure – May 06	£172,000
Over-expenditure	£ 39,000

Overview Requested by Executive

The overspend against the approved budget was considered by a group made up of the Deputy Leader of the Council, Principal Engineer, Principal Accountant and Internal Audit Manager in November 2006 as requested by the Executive.

Factors leading to over-expenditure

- The basis for the report presented to Executive on 3 March 05 was an estimate provided by the preferred contractor using the detailed engineering scheme drawings prepared by Teignbridge District Council. It was agreed that this estimate was to be based on Devon County Council's Term Maintenance Contract – a contract won by competition; the reason for this decision was to obviate the need for the Council to seek competitive tenders and thereby to save on the cost of employing external specialist advisors to prepare detailed Bills of Quantities and Contract Documents.
- The estimate was broken down into the principal elements of work and appeared to the engineers of both Teignbridge and South Hams working on the scheme to be reasonably compiled. The estimate was not however scrutinised by Quantity Surveyors.
- For the works to be carried out under the County Council Term Maintenance Contract, an order was placed with Devon County Council to issue the necessary instruction to the Contractor. Works commenced in January 2006 and were substantially complete in early April 2006.
- During remeasurement of the works under the terms of the Contract it became evident that the quantities and extent of the works in the original estimate were significantly under estimated in a number of areas. Additionally the impact of the number and variety of underground service connections and obstructions on the route of the new surface water pipes and culverts was seriously underestimated. Whereas the original estimate had allowed for a six weeks work programme, in reality this became fourteen weeks.
- The Contractor performed diligently throughout the Contract and made every effort to overcome the unforeseen problems encountered. The final outturn cost is considered to fairly reflect the operations carried out on site.
- The procurement route chosen by the Council removed the direct supervision of the Contractor by the Council's Engineers.

- The possible opportunity to curtail the extent of the works (by omitting the final section through the gardens of St Clements Terrace) was missed.

Lessons Learnt

- Relying on the contractor to produce a Bill of Quantities from drawings, without any review by a suitably qualified professional representing South Hams District Council, should be avoided as the cost of any mistakes are likely to fall on the Council;
- Reliance on the contractor for site supervision should also be avoided as it becomes difficult for the Council's representatives to promptly identify additional works against the Bill of Quantities to enable alternative actions to be considered;
- The procedures for formally advising representatives of the Asset Management Group of potential overspends should be reviewed, with the development of a pro-forma setting out the latest position, options available for consideration and agreed action to be taken. This form to be signed by the Head of Property Services and relevant member of the Executive and held on file.