

# **Medical Centre**

## **Summary Report to Parish Council November 2017**

### **Introduction**

We have in the last few weeks completed the building work on the Festival Hall, so it is timely for me to report now on the total costs of the project.

Because there is a lot of information, I have divided this report into three sections.

Today I will report on the Medical Centre. In December I will report on the Festival Hall. In January 2018 I will draw conclusions relating to the whole project and its impact on the Council's finances.

This report sets out what the current Parish Council inherited and how it has managed the challenges, as well as providing background on how the new Medical Centre was finally completed.

I would like to start by talking about the scale of and complexity of this project.

### **Scale of the project**

I believe that most Parish Councils of the size and resources of Alderley Edge's would take the view that a project of this size and complexity would be beyond their scope. Nine volunteer, part time Councillors, together with a part time Clerk, is a very small group to draw on for what has been (and continues to be) a very costly and complex project.

Let me put this in context: Prior to embarking on this project the largest single expenditure made by the PC was £30,000 for Christmas Lights.

This project was 100 times larger, requiring expenditure of £3 million. In spite of this massive leap in size there is no evidence that the scale of this challenge was recognized by those initiating it; and it was embarked on without the detailed planning – including an assessment of the risks - that it required.

### **Complexity**

This is a highly complex site. The Medical Centre is not just the GP Practice. It also houses four other tenants: a Pharmacy, a Harley Street Pregnancy consultancy, a Pilates suite and a Personal Trainer/Physiotherapist. In addition it houses the community Festival Hall.

### **No documentation**

At this stage I should make one very important point, which applies to all aspects of the Medical Centre and Festival Hall project:

We did not inherit a single document from our predecessors showing how they planned to complete this project, no detailed costings, no assessment of the risks, no analysis of how they would resource what was a major project. I have been involved in many projects during my career, from petrochemical plants to IT implementations and software development. I have never witnessed a project so poorly documented and planned.

The only document that we do have is the Conservative Party leaflet issued just before the May election, which is attached to this report.

I shall be using this to compare Actual vs Promised Costs.

I shall also be referring to page 2 of the Building Contract, which is also attached to this report.

### **Medical Centre costs exceeded budget by £370,000**

The final cost of the Medical Centre over the period May 2015 to October 2017 were **£2,369,243**, compared with a figure of **£2,000,000**, which was promised by the outgoing Conservative Parish Council to be the maximum cost.

**This is a difference of £369,243 or 18.5%.**

### **Why were costs so much higher than promised?**

Whilst cost overruns on such projects are not uncommon, what is unusual about this scheme is that the additional costs could have been predicted by the previous Conservative Parish Council.

The extra costs did not arise because of any unexpected problems, nor because we changed the specification. Nor did we make any changes to the agreements already on the table in May 2015.

The differences arose because key costs on the Medical Centre had been overlooked by the previous Parish Council and because of a failure to plan the Medical Centre Second Floor. In addition, the implications of the costs on the Council's cash flow were not properly understood and addressed by those responsible. I will cover this further later on.

### **Credit for initiating the project**

I would not wish to proceed without giving our predecessors credit for their original initiative. Without that we would not now have a state of the art Medical Centre in our village. The previous Parish Council deserve credit for this, but not – as the report clearly demonstrates - for the way in which they executed the project.

### **Missed costs**

The full report makes clear – and supports with evidence – that those responsible on the previous Parish Council did not plan, document nor understand the practical and financial implications of the project they started. A simple example of this is given by comparing two key documents:

The first is Conservative party election leaflet from early May 2015, which states that the Medical Centre was **guaranteed to cost no more than £2,000,000**:



The second is taken from page 2 of the Building Contract – a document which was in the hands of the Conservative Councillors (and which they had already tacitly agreed) by end April 2015.

This contract clearly states on Page 2 that **the agreed cost is not £2 million, as claimed, but £2,162,165**:

#### **Article 2: Contract Sum**

The Employer shall pay the Contractor at the times and in the manner specified in the Conditions the VAT-exclusive sum of two million, one hundred and sixty two thousand and one hundred and sixty five pounds (£2,162,165) ("the Contract Sum") or such other sum as shall become payable under this Contract.

**Note that both these documents existed at the same time - just before the elections in May 2015.**

### **Other missed costs**

Other costs not budgeted for were:

- **Professional Fees missed:** The previous Council omitted provision for legal costs (for example to cover leases for the Pharmacy and 2<sup>nd</sup> floor tenants). It also failed to cost in project management fees payable to Arcus, the company whom they themselves had appointed to manage the build on

behalf of the PC. They had also made no provision for letting agent and management services fees for the Pharmacy and Second Floor tenants.

- **Security Costs missed:** The NHS required that the new Medical Centre should meet national building security standards. These are laid down in a process called Secured by Design, which is administered by the Police. This called for a 2.1m (7ft) wire mesh fence around three sides of the site, with security gates. The previous Parish Council did not accept this, but rather than renegotiate it, they simply removed all provision for it from the budget – exposing the PC to non-compliance with its Lease agreement with the NHS.

We dealt with this issue by renegotiating with the NHS and the Police to remove the 7ft fence completely from 2 sides of the site and to reduce the height on the third side to 1.8m (6ft). This significantly reduced the costs.

- **Second Floor costs missed:** The previous PC had also made no allowance for bringing the second floor of the Medical Centre into a lettable condition. The basic contract only provided for the second floor to be left as an unfinished shell – not a specification that would allow it to attract tenants. The new PC therefore had to add funding for lighting, ceilings, toilets and washrooms, floor coverings and heating.

- **No Contingency allowance:** Finally there was no contingency allowance – a fundamental requirement on a project like this – to cover unforeseen additional costs.

Fortunately the detailed planning by Jones Contracts and by the Medical Practice meant that additional, unbudgeted costs relating to the specification of the surgery itself were minimal.

The only unbudgeted costs were those that were solely in the hands of the former Parish Councillors.

**In total these extra costs added a further £207,078 to the £162,165 missed from the original build contract, making a total project cost of £2,369,243, compared with a promised cost of £2,000,000.**

A breakdown of these costs is shown in the attachment to this report.

### **How the new Parish Council dealt with the funding crisis**

The full report sets out the detail of the pressures the new PC was under. It could not delay the project because there was a strict deadline to meet. At the same time we had – within days of the election – identified a £400,000 shortfall. Add to this zero handover from our predecessors and it should be clear that this was a challenging situation.

To keep the Medical Centre on track we:

- contacted Cheshire East and secured their assurances of help should we need it
- contacted our MP and received his assurances of support if required especially in relation to any potential problems that might arise with the NHS grant
- drew up a detailed monthly cash flow forecast modeling income and expenditure through to 2022
- engaged in extensive project review meetings with the builders and other professional advisors to keep the project on track
- applied for and secured an additional £0.5m funding from PWLB
- appointed letting agents to manage the 2<sup>nd</sup> floor lettings and a separate agent with experience of Pharmacies to manage dealings with the Pharmacy

### **Completion of the Medical Centre**

Through this intensive work program we were able to complete the build of the Medical Centre with sign-off by the NHS a week before the deadline at end March 2016.

### **Thanks**

As a community we need to express our thanks to Jones Contracts for going well beyond what we as a parish had any right to expect from a building contractor.

I also want to thank our Parish Clerk, Anne Ross, for her extraordinary dedication. I said at the start that this project went well beyond what might reasonably be undertaken by a Parish Council of our size and resources, and a major part of the workload and worry has fallen on our Clerk, who has coped fantastically well with it. We are very grateful.

### **Conclusions**

The content of this report is consistent with what we reported in June 2015, shortly after we took office. However, the key question in all of this still remains unanswered: how could it be that we were told by the former Conservative Parish Council in May 2015 that the Medical Centre would cost no more than £2m, when the building contract, which they had already seen and approved, shows a figure almost £200,000 higher?

Next month I will report on the final costs for the Festival Hall.

Geoff Hall  
Vice Chair  
Alderley Edge Parish Council  
November 2017