

**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD ON 30 JULY 2015 FROM 8.42 PM TO 8.50 PM**

Committee Members Present

Councillors: Keith Baker (Chairman), Julian McGhee-Sumner, Charlotte Haitham Taylor, Pauline Jorgensen, John Kaiser, Anthony Pollock and Angus Ross

Other Councillors Present

Mark Ashwell
David Chopping
Lindsay Ferris
Norman Jorgensen

43. APOLOGIES

An apology for absence was submitted from Councillor Philip Mirfin. The Leader confirmed that Councillor Mark Ashwell would be attending the meeting on behalf of Councillor Mirfin however in accordance with legislation he could take part in any discussions but was not entitled to vote.

44. DECLARATION OF INTEREST

Councillor Pauline Jorgensen declared a personal interest in Item 47, Council Owned Companies Business – Phoenix Avenue and Fosters, by virtue of the fact that her husband was a paid Non-Executive Director of WBC Holdings Ltd. Councillor Jorgensen remained in the meeting during discussions and voted on the matter.

45. PUBLIC QUESTION TIME

There were no public questions received.

46. MEMBER QUESTION TIME

In accordance with the agreed procedure the Chairman invited Members to submit questions to the appropriate Members

46.1 Lindsay Ferris asked the Leader of Council the following question:

Question

Why has the cost for Phoenix Avenue (excluding the recommended £350,000 contingency) risen by 15% in just over 1 year?

Answer

First of all can I point out that this audited tender response has occurred nearly 18 months after the original estimate which is a bit more than “just over a year”. Officers and I have struggled to see how you have managed to get to a 15% increase where we have only managed 10%.

However I believe whether it is 10% or 15% is not really the thrust of your question it is that the increase appears to be large.

Now the original estimate was based on work approved at the January 2014 Executive Meeting. So any building estimate is always going to be higher after the passage of 18 months of time.

This is for multiple reasons such as: refinement of the specification which has certainly been the case here; materials costs generally rise with passage of time; such material costs rise even faster when individual items face shortages, for example bricks which are having to be imported; labour costs generally rise with the passage of time; and again as with materials if there is a shortage of certain types of skills the costs rise even faster; eg bricklayers.

This is not just us saying this as the Council owes a duty of care with respect to spending money and therefore its company, WHL naturally asked reputable "Property and Construction Consultants" called Ridge to review this tender response. Their report reinforced the comments I have just made saying, and this is a direct quote from the report:

"Labour shortages have become an increasing concern as the market continues to rise. Bricklayers are particularly scarce due to the sharp increase in house building, and we are seeing shortages across all of the main trades and professions due to the amount of work within the industry. In addition materials shortages have become more of a constraint especially bricks and blocks, however we have started to see this trend in other areas as supply chains struggle to cope with the acceleration in activity levels. The result of both these trends means that lead times, delivery times and programmes are all starting to lengthen, which is having a negative effect on prices."

Therefore it is totally unrealistic to expect an estimated cost set in January 2014 to remain the same some 18 months later.

Supplementary Question

My comment that I would make about the 15% is that the paper talks about a 10%, or just over 10% increase, but it is spread across two projects and when you go into the individual projects you will find that the one I asked about is 15% and the other one is lower - so that is why it is 15%.

Is there likely to be any further increases and could this have any implications for the viability of the project?

Supplementary Answer

Not as far as we are aware but clearly it is a moving feast. We don't expect any.

47. COUNCIL OWNED COMPANIES BUSINESS - PHOENIX AVENUE AND FOSTERS

(Councillor Jorgensen declared a personal interest in this item)

The Executive considered a report relating to a request for further funding for the development of Phoenix Avenue and Fosters Extra Care Home.

The Leader of Council explained the necessity for the additional funding to that previously assigned by the Executive, at its meeting in January 2014, to WHL for both Phoenix Avenue and Fosters Extra Care Home projects. At the same meeting a further sum of £18m was agreed to be made available for future developments subject to agreement by the Executive. Now that a further quote had been received, plus anticipated increases to the Fosters project, there was a need for £2.141m to be made available from the

previously agreed £18m. By way of clarification Councillor Baker confirmed that it was not new money that was being requested but funds that had already been allocated by the Executive to WHL for development projects.

Councillor Baker also clarified that the £2.141m was only required in the current financial year and not future years as was suggested in the financial implications table in the report.

RESOLVED that:

- 1) the resolution of WBC (Holdings) Limited to approve further funding for the build of Phoenix Avenue and Fosters be noted;
- 2) further funding of up to £2.141million for the development of Phoenix Avenue and Fosters Extra Care from Council capital resources and to on-lend to WBC (Holdings) Limited at interest rate of 6% be approved.