

# EXECUTIVE COUNCIL

## CONFIDENTIAL

**Title of Report:** Additional Funding Request -Port Howard Ferry Terminal  
**Paper No:** 39/11  
**Date:** 27 January 2011  
**Report of:** Director of Public Works

### 1. Purpose

- (a) To inform ExCo of the final cost for the works.
- (b) To seek approval for the allocation of additional funds of £185,000 into code 0954-3104 to meet the final cost of the works.

### 2. Recommendations

- 2.1 It is recommended that funding of £185,000 be allocated from the Capital Equalisation Fund into code 0954 – 3104 to enable completion of the project.

### 3. Summary of Financial Implications

3.1		2010/11	2011/12
		£	£
	Capital Programme*		
	Additional funding required	185,000	nil

\* *Capital Programme 0954 3104 Cross Sound Ferry Terminals*

### 4. Background

- 4.1 Approval was given for the construction of permanent terminal at Port Howard in May 2009 and funding of £1,085,940 was made available for the project.
- 4.2 The works were completed within the estimated timeframe, but various costs increased as set out below and set out in tabular form at appendix A:
- 4.3 Regional Managers Costs. The apportionment on these had been based on the assumption that there would also be works undertaken on the abattoir, which was not the case. This was the only project running which these costs could then be placed against. Variance £36,423.
- 4.4 Labour. The labour rates initially submitted appeared high and the contractor was requested to review these. A reduced figure was then submitted, but it

has become clear that this was not properly calculated, which resulted in greater costs than estimated despite the project being completed within the anticipated timeframe\*. Variance £32,626

- 4.6 Plant. Some of the plant used, including the crane for piling, excavator and compressor to drive the piling hammer, were private hire items. No project specific rate had been secured at the time of commencement and the hire company confirmed its increased rates part way into the project. Variance £44,940.
- 4.7 Materials. Costs for cement increased significantly over what had been current at time of estimate, as a result of both the loss of the SAAS link at that time. It was also necessary to increase the volumes of concrete against the costed design, primarily for the mooring bollards. Variance £56,793.
- 4.8 Shipping. The increased FIRS freight rates for all materials, and need to ship cement from UK, due to the loss of the SAAS link at that time resulted in higher shipping costs. Variance £15,084.
- 4.9 Staff Costs/Overheads. These again increased as a result of their being no other project against which these could be set, these again been based on the assumption that there would also be works undertaken on the abattoir. Variance £16,500.
- 4.10 This has resulted in a cost overrun of £202,366 against estimate. There was a small allowance made for other costs, and a small balance remains in the project code, but after making allowance for these, there is still a shortfall of £185,000.
- 4.11 Time had been gained against programme for the sheet piling works, but this could not be capitalised on as materials for other parts of the works had arrived on the FIRS when Concordia Bay was off to dry dock and could not be shipped to the west until its return.

\* Although under the Partnering Agreement allowable costs incurred are met even if these exceed what had been estimated; when reviewing project estimates elements (both cost and resource) are challenged to try and ensure that there has not been undue slack built in, and because the rates used in an estimate will ordinarily be used for the purposes of payment. In this particular instance the budget estimate labour rate was challenged and the contractor's revised rate was over adjusted downwards.

Review of claims for payment highlighted that the charges being raised in claims were in fact correct, but that labour costs were higher than those used in the final MFL cost estimate.

## **5. Financial Implications**

- 5.1 Funding of £1,085,940 was originally allocated for the project, of which £616,940 was carried over to the 2010/11 financial year. A balance of £6,779 remains in the code, but payments of £191,521 are outstanding to MFL so a shortfall of £185,000 exists and funding to this value is needed to make final payments to MFL for the works, as required under the Partnering Agreement.

5.2 A further allocation £185,000 is therefore needed to meet final costs for the project.

5.3 It is apparent that there is going to be a significant amount remaining in 2011/12 under code 0957 – 3294 (infrastructure development) due to Snake Hill being the only significant project to be progressed this financial year. Part of this could be to meet the additional costs for the container park, although this would require equivalent funding to be provided under 3294 at some later stage.

## **6. Legal Implications**

6.1 None, other than that FIG are required to reimburse Morrison (Falklands) Ltd for reasonable costs incurred for projects, and the outstanding payment relates to reasonable costs incurred.

## **7. Human Resources Implications**

7.1 None.

Appendix 'A'

**CAP 3104**

	PORT TERMINAL	HOWARD	
LOI issued	1,064,483		
Final Cost	1,266,850		
	Over Run Breakdown		
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Difference</u></b>
<b><u>Regional Managers Costs</u></b>	47,463	83,886	36,423
<b><u>Labour</u></b>	241,424	274,050	32,626
<b><u>Plant</u></b>	162,714	207,654	44,940
<b><u>Materials</u></b>	389,031	445,824	56,793
<b><u>Shipping</u></b>	89,107	104,191	15,084
<b><u>Staff Costs</u></b>	38,232	47,471	9,239
<b><u>Overheads</u></b>	96,513	103,774	7,261
<b>Total</b>	<b>£1,064,484</b>	<b>£1,266,850</b>	<b>£202,366</b>
<b>Project Over Run : £202,366</b>	<hr/>		