

Bolsover District Council

Meeting of the Executive on 2nd December 2024

Appointment of Contractor to complete insurance remedial works at Pleasley Vale Business Park following Storm Babet

Report of the Portfolio Holder for Business Growth

Classification	Appendix 2 and 4 of this report is not for publication under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
Contact Officer	Jim Fieldsend, Director of Governance Legal Services & Monitoring Officer.

PURPOSE/SUMMARY OF REPORT

To update Members on negotiations with the loss adjuster regarding the flood remediation works at Pleasley Vale.

To present the final settlement figure, the value of the works to be undertaken by the Contractor, and the difference to be funded through General Reserves.

To award a contract to Dragonfly Development Ltd following a procurement exercise for delivering the scope of works required.

REPORT DETAILS

1. Background

- 1.1 In October 2023, Storm Babet caused significant damage to the mill buildings and infrastructure at Pleasley Vale which resulted in an insurance claim for the damage to repair the buildings, including Reception in Mill 1, tenant units in Mill 1 and Mill 3, and some wider site repairs.
- 1.2 The Council's Insurer and its Loss Adjuster have inspected the site and the damage caused. The Insurer and Loss Adjuster appointed consultants, Monaghans Ltd, to project manage scoping out the remedial works required and undertake the procurement to appoint a contractor.
- 1.3 The scope of works has been procured in the market by Monaghans. Four contractors were invited to tender for the works with responses being submitted from three suppliers.
- 1.4 The results of the procurement exercise have been shared with the loss adjuster for review and approval.

2. Details of Proposal or Information

- 2.1 The full scope of works procured can be seen in Appendix 1.
- 2.2 Monaghans have evaluated the three submissions received and undertaken the due diligence.
- 2.3 Based on the findings of the evaluation, Monaghans submitted a report, as seen in Appendix 2, to recommend Dragonfly Development Limited (DDL) as their preferred supplier with a contract value of £405,123.26.
- 2.4 The Monaghans report has been shared with the Loss Adjuster and the Council's Insurer and a further discussion has taken place with Council officers and an agreement was reached between all parties to appoint Dragonfly Development Ltd to complete the scope of works identified.
- 2.5 A full and final settlement be accepted by the Council from the Insurer to fund the scope of works as set out in the table below. This full and final settlement will ensure that the Council is able to move forward with the works and bring the standard of the site back to an accepted level for the tenants:

INSURANCE CLAIM PR223 / PLEASLEY VALE FLOOD		
£	230,478.82	INSURER - MATERIAL DAMAGE AS OF NOV24
£	135,690.84	INSURER - INCREASE COST OF WORKING AS OF NOV24
£	24,729.08	INSURER - BUSINESS INTERRUPTION - LOSS OF RENT
£	405,123.27	INSURER - DRAGONFLY TENDER VALUE FOR REMAINING WORKS (including £56351.29 of excluded works ("shortfall"))
£	14,329.29	INSURER - ANSINI UNIT FLOOR REPAIRS (TO ROUND COSTS)
£	45,337.05	BDC - ADDITIONAL COSTS NOT COVERED VIA INSURANCE POLICY
£	799,337.05	TOTAL CLAIM COSTS
-£	100,000.00	BDC - INSURANCE EXCESS
-£	200,000.00	INSURER - PREVIOUS INTERIM PAYMENT
-£	45,337.05	BDC - FUNDING FROM INSURANCE RESERVE
£	454,000.00	BALANCE TO CONCLUDE
£	56,351.30	shortfall to be funded through general reserves

- 2.6 This identifies a shortfall between the settlement agreed with the Loss Adjuster and the Council's Insurance Officer of £56351.29. This is for works required, but which the Insurer is not in agreement to cover as part of the claim. Any shortfall will need to be covered by the Council's general reserves.

3. Reasons for Recommendation

- 3.1 It was concluded, following the procurement exercise undertaken by Monaghans and subsequent discussions with the Loss Adjuster that Dragonfly Development Limited be appointed as the preferred supplier.

- 3.2 Dragonfly Development Limited submitted the most cost-effective quote of the three submitted, which was within the initial estimate approved by the Loss Adjuster and they were identified as the most compliant tender with the lowest risk.
- 3.3 A general contingency of £50,000 has been included in these values to cover any unforeseen damage and cost increases such as discovery of asbestos whilst works are ongoing. Additionally, the £14329.29 proposed by the Loss Adjuster to complete floor repairs is considered sufficient with any shortfall being covered by the contingency.
- 3.4 Dragonfly Development Ltd can mobilise and start work on site immediately.
- 3.5 Although a shortfall has been noted between the full and final settlement agreed with the Loss Adjuster and the cost of the scope of works identified, we still expect the full scope of works to be completed as not doing so will have an adverse effect on the condition of the buildings and would incur additional revenue liabilities of the general fund at a later date.
- 3.6 In addition, the already fractured relationship with affected tenants will suffer if the full scope of works is not completed and it will prove difficult to negotiate lease renewals with future rent increases. There is also a high risk of losing tenants who decide to look for premises elsewhere, plus securing new tenancies could become more challenging, both resulting in a negative impact on the overall revenue position of the Council. Due to the urgent need to undertake the work the Chair of Local Growth Scrutiny Committee has agreed that it should be treated as a matter of urgency and not be subject to the call-in process.
- 3.7 The Business Estates Manager and the Facilities Management Team within Dragonfly Development (Management) Limited have worked tirelessly over the last 12-months since the flood event to ensure relationships with tenants have been maintained, services upheld, and pressure put on all parties to bring this to a conclusion. As a result of this, tenant levels have remained constant and revenue streams maintained throughout. The works being able to commence will be welcome news to those tenants directly affected by Storm Babet.

4 Alternative Options and Reasons for Rejection

- 4.1 Some risks were identified in the tender report, these can be seen in Appendix 3. However, despite the risks identified, Monaghans still recommended Dragonfly as their preferred supplier. This decision has subsequently been approved by the Loss Adjuster.
- 4.2 An alternative option is only to complete works funded by the full and final settlement and not to use general reserves to fund a shortfall. This option has been rejected due to the adverse effects set out in the report.

RECOMMENDATION(S)

1. To appoint Dragonfly Development Limited to complete flood remedial works at Pleasley Vale Business Park.

2. To use general reserves to cover any financial shortfall between the full and final settlement and the actual cost of the full scope of works.
3. Upon completion the £50,000 contingency unspent is credited back to general reserves.
4. That this decision is reasonable in all the circumstances and that it should be treated as a matter of urgency.

Approved by Councillor John Ritchie, Portfolio Holder for Growth

<u>IMPLICATIONS.</u>	
<u>Finance and Risk:</u>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Details: Risk that the full scope of work is not covered by the full and final settlement received from the Insurer and any shortfall will need to be covered by general reserves.	
On behalf of the Section 151 Officer	
<u>Legal (including Data Protection):</u>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Details: there will be a contract with Dragonfly Development Limited, and the scope of works detailed within it.	
On behalf of the Solicitor to the Council	
<u>Environment:</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.	
Details: Not applicable	
<u>Staffing:</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Details:	
On behalf of the Head of Paid Service	

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i>	No

District Wards Significantly Affected	(please state which wards or state All if all wards are affected) Pleasley
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details:

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION	
Appendix No	Title
Appendix 1	Scope of works
Appendix 2	Tender Report
Appendix 3	Risks identified
Appendix 4	Table showing cost breakdown

Background Papers
<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).</i>