Documents relating to festival Gardens Ltd.

Presented by the Lord Privy Seal to Parliament by Command of His Majesty. June 1951.

DOCUMENTS RELATING TO FESTIVAL GARDENS LIMITED

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NOTE BY THE LORD PRIVY SEAL

On the 19th April, 1951 (Hansard, Cols. 2021–2022) I informed the House of Commons that the Board of Festival Gardens Limited had communicated to me an Interim Report on the investigation by Messrs. Moores, Carson and Watson, Chartered Accountants, into the circumstances which caused their financial commitments to be greatly in excess of the amount estimated last year. I added that a further investigation to cover operations on the site was being initiated by the Board and that I had also invited their comments on the Interim Report.

I am now able to make available to Parliament a summary by Messrs. Moores, Carson and Watson of the Interim Report then referred to, together with the comments upon it of the Board of Festival Gardens Limited and a First Report by Messrs. Peat, Marwick, Mitchell and Co. on the operations on the site, together with the comments of the Board on this document.

R. R. STOKES.

12th June 1951.

SUMMARY OF INTERIM REPORT DATED 16th APRIL, 1951, TO THE BOARD OF FESTIVAL GARDENS BY MR. H. N. BUTLER, F.C.A. OF MESSRS. MOORES, CARSON & WATSON

Gentlemen,

In accordance with your letter to me dated 29th March, 1951, my terms of reference are

> "To investigate and report on the circumstances which have caused the financial commitments of Festival Gardens Limited to be greatly in excess of the amount which it was estimated would be sufficient in December last".

Examination in chronological order of the important events from the inception of the Gardens project in November, 1948 to the present day shows that for about six months discussions took place concerning an abortive scheme to operate the Gardens for five years, and that the ultimate one year scheme received final approval from all interested parties on June 28th, 1949. Shortly after this Treasury approval was given to the project which showed estimated expenditure of £770,000 and estimated income of £670,000. The Festival Gardens company was incorporated on November 16th, 1949, and the first Board Meeting was held on 25th November, 1949. On February 2nd, 1950, tender forms were sent out to three contracting companies and on March 29th the construction contract was awarded to the Dowsett Engineering Construction Co. Ltd. whose tender was slightly below those of the other two concerns. Work at the site commenced on April 1st, 1950, and a contract on a measurement basis was signed on May 8th. On March 23rd, 1951, a letter was sent by the Board to the architects agreeing that the contractors should be paid the total cost as certified to be necessary with an addition of £57,500 to cover overhead charges and profit.

Much time was originally lost in discussing the abortive five year plan, but even so the present basic scheme was adopted at the end of June, 1949. When the Contractor started work on 1st April, 1950, however, nothing but a general layout plan had been prepared, and only a very limited part of the site was available. The preliminary layout plan has been changed since, and I am informed that final drawing of certain buildings has only been completed very recently. It is all too easy to regard nearly two years as ample time to plan and execute a scheme of this size which had many complications, and I cannot but think that the period between July, 1949 and April, 1950 might have been used to better advantage. Had a definite plan been available and the main buildings architected by the spring of 1950, the site work could have been completed during the summer weather and subsequent difficulties largely avoided.

It appears to me also that the conception and organisation of the Board itself was unsatisfactory. Festival Gardens Limited is and always was a company with a complex and difficult job to get done by a certain date. The organisation of such a company would normally include a director responsible for construction, a director responsible for operation, a director responsible for finance, a managing director to co-ordinate their work, and such part time directors as may be desirable for particular purposes. In this case thirteen unpaid advisory directors were appointed, all of whom were busy men in other directions and none of whom was specifically asked to undertake particular responsibilities. I cannot, moreover, imagine that any one of the Board would regard himself as implicitly expected to take any exceptional responsibility for the constructional side, and whether or not the same remark applies

to finance and accountancy the fact remains that nobody did assume any such responsibility. No managing director was appointed until the end of June, 1950, by which time any person must have found it almost impossible to get the scheme completed in time without extra cost.

I am bound to say that in my opinion the size of the Board on the one hand and the surprising omissions from the Board on the other, the failure to delegate executive responsibility to individual members and even the eminence of many of the advisory members in their particular spheres have rendered it unlikely that the Company would be able to operate successfully and to time. Perhaps as a result, the accent has been on providing the visiting public with the best possible entertainment, and questions of time and expenditure have tended to be put into the background.

Lastly, the eventual policy of subordinating all considerations to opening on the due date has been a factor of major importance in contributing to excess costs. A technical controller was appointed in October, 1950, whose sole terms of reference were to speed up the construction work sufficiently to make this possible. It is not my duty to express any opinion on—

(*a*) the prestige value of working to time, or

(*b*) the effect of delays in opening Battersea Park on the income at South Bank,

but there is little doubt that the continuous efforts to make up for lost time have contributed seriously to the construction costs at Battersea Park. I can find little evidence that the Board consulted either with the Lord President's Office or with the Treasury before involving themselves in a course of action which was perhaps desirable but which inevitably necessitated expenditure in excess of the funds available.

The conclusions are set out in full as under:—

To sum up, the reasons which have caused the financial commitments of Festival Gardens Limited to be greatly in excess of the amount estimated in December last are in my opinion:—

(*a*) The failure to attain a more advanced stage of planning during the winter of 1949/50 and to get the foundation work done in the summer of 1950.

(*b*) The lack of an expert building contractor on the Board with specific responsibility for placing and supervising the construction contract.

(*c*) The lack of an expert accountant on the Board with specific responsibility for planning and supervising the books and financial records.

(*d*) The general failure to delegate specific duties, which has led to undue reliance being placed on advisers who have no personal responsibility for the Company's affairs.

(*e*) The lack of a suitable managing director to co-ordinate the various aspects of the work, to seek and obtain policy decisions in good time, and above all to see that when they were obtained they were carried out quickly and efficiently.

(*f*) The alleged change in the basis of the contract which makes it necessary to provide for the possibility that all excess expenditure may be chargeable to the Company.

(*g*) The exceptionally heavy rainfall and the shortage of certain materials which were experienced during the winter of 1950/51.

(*h*) The exceptionally low labour output which has resulted from adverse working conditions, the excessively rapid expansion of the labour force and the desire to avoid strikes. In this connection I have noted that there is a general consensus of opinion that certain influences have definitely sought to foment discontent at the site.

Recommendations made are as follows:—

(1) That further detailed consideration shall be given to the present status of the contract and the alleged change from a fixed price contract to a cost plus contract.

(2) That a small management committee shall be formed, each member of which shall have specific responsibilities for important aspects of the Company's work.

(3) That, by arrangement with the Contractors and the Quantity Surveyors, a full inspection of the Contractors' books shall be made by an independent firm of accountants in view of the widespread allegations of fraud and inefficiency.

The report concludes by stating that while certain information has been difficult to obtain, the investigator is not aware of any case where information has been intentionally withheld.

Appendices

There are six appendices to the report:—

(1) History of the Company.
(2) Loan agreement.
(3) Board of Directors and Administration of the Company.
(4) Placing the contract.
(5) Notes on Construction contract.
(6) Comparison of various income and expenditure estimates.

Certain of the appendices have received specific comment from the investigator.

Appendix I is attached in full. There are no notes in this case.

Appendix II is attached in full, and the reporters' notes are summarised.

Appendix III and the notes thereon are attached in full.

A summary of Appendix IV is attached. There are no notes in this case.

Appendix V is attached in full with the exception of a few short comments. In this case the reporters' comments are embodied in the Appendix.

Appendix VI is attached in full. The most important note thereon is also given in full.

The above summary has been prepared by the investigator to give a fair and reasonable summary of his report.

APPENDIX I

History of the Company

Festival Gardens Limited was incorporated under the Companies Act, 1948 on 16th November, 1949, as a private company adopting Table A, Part (1), with modifications. There were nine subscribers who all became first directors. The original capital of the Company is £100 divided into Ordinary shares of £1 each. The Articles of Association provide for borrowing powers amounting to £770,000, but it is understood that these have now been revised to allow of further borrowing.

The Ordinary shares are wholly held by H.M. Procurator General and Treasury Solicitor and by the London County Council, who have together nominated fourteen directors, each holding one £1 share.

The Articles provide for a maximum number of fifteen directors and for the appointment of a managing director.

The Company's financial year ends on 31st December, and it is understood that annual accounts from the date of incorporation to 31st December, 1950, are now in course of preparation.

APPENDIX II

Copy of Loan Agreement

AN AGREEMENT made the Twenty-fourth day of November One thousand nine hundred and fifty BETWEEN THE LORD PRESIDENT OF THE COUNCIL (hereinafter called " the Lord President ") acting by Gerald Reid Barry the Director-General of the Festival of Britain Office duly authorised in that behalf by the Lord President of the first part THE LONDON COUNTY COUNCIL (hereinafter called " the Council ") of the second part and FESTIVAL GARDENS LIMITED (hereinafter called " the Company ") of the third part WHEREAS the Company has been incorporated for the purposes set out in its Memorandum of Association and in particular in connection with the Festival of Britain 1951 to enter into possession of such lands and premises as may seem desirable to erect such buildings and carry out such works thereon as may seem desirable and to make use of the same for the purposes of the said Festival AND WHEREAS the Company wishes to make arrangements to raise money in the form of loans from the Lord President and the Council who are willing from time to time to make such loans at their discretion on the terms hereinafter set out.

NOW IT IS HEREBY AGREED as follows:—

1. AS and when the Company shall require funds for the purposes of its undertaking it shall submit to the Lord President and the Council an application setting out in such form and with such details as may be required by the Lord President and the Council

(*a*) The total amount of money which is required on each occasion

(*b*) The purposes for which such money is required with an estimate of the amount required for each purpose

(*c*) The dates upon which instalments of the said advances are expected to be required

2. NEITHER the Lord President nor the Council shall be under any obligation to advance all or any part of such moneys but in the event that they agree to advance moneys such moneys shall be advanced as to sixty per cent. by the Lord President and forty per cent. by the Council or in such other proportions as the Lord President and the Council may agree In making such advances the Lord President and the Council shall if the full amount applied for is not granted indicate the purposes which have been approved by them and the amounts approved for such purposes if different from the amounts applied for

3.—(1) THE Company will pay to the Lord President and the Council interest on all advances for the time being outstanding at the rate or rates specified in the next succeeding paragraph of this Clause the first payment of interest to be made on the First day of April One thousand nine hundred and fifty-one and thereafter interest to be payable on the First day of April in each year and if not so paid shall be compounded with yearly rests Provided however that the Company may on any earlier date than is hereinbefore specified pay the whole or any part of the interest then accrued

(2) THE rate of interest payable in respect of each instalment of the advances shall be the rate fixed by the Treasury under Section 1 of the Public Works Loans Act 1897 for loans for not more than five years advanced from the Local Loans Fund to local authorities as defined in Section 10 of the Local Authorities Loans Act 1945 on the date on which such instalment is advanced

4. THE Company agrees that all sums advanced under the terms of this Agreement shall be applied strictly for the purposes for which they have been advanced but the allocation between different items may be varied at the discretion of the Company so long as no such variation involves an increase in the amount applicable for any purpose in excess of Five hundred pounds (£500)

5. THE Company shall keep full complete and accurate accounts and records showing all income and expenditure and all commitments involving expenditure entered into by the Company and such accounts and records and all other books of account records vouchers and documents of the Company shall at all reasonable times be made available to the Comptroller and Auditor General the Comptroller of the Council and the Festival of Britain Office or any person nominated by any of them for the purpose of verifying all such particulars and making copies of any such accounts records vouchers and documents

6. ALL moneys received by the Company hereafter by way of revenue receipts payments for concessions or from any other source shall be paid into a separate banking account and no moneys shall be drawn out of such separate account without the consent of the Lord President and the Council Such consent may be either specific in the case of a particular item of expenditure or general in the case of items of a recurring nature

7. THE Company shall supply by the fifteenth day in each calendar month to the Lord President and the Council a budget showing the estimated figures for the next month of (*a*) expenditure allocated to the different items in respect of which expenditure shall have been approved and (*b*) receipts showing the different items from which receipts are expected

8. THE Company shall not without the consent of the Lord President and the Council borrow or raise any money from any other source save that the Company may raise the sum of One hundred pounds by the issue at par of its initial share capital

9. WITHOUT prejudice to any of the foregoing provisions the Company shall keep the Lord President and the Council in close touch with all material details of its activities and will supply to them answers to any questions which they may raise touching the expenditure or expected expenditure of the moneys which they have advanced or agreed to advance and the receipts or expected receipts from their activities

10. ALL moneys advanced to the Company by the Lord President and the Council under the terms of this Agreement shall be repaid by the Company within the period of five years from the date hereof

11. IF the Company makes default in the observance or performance of any of the obligations on the part of the Company contained in any of the foregoing paragraphs then and in such case the whole of the moneys advanced by the Lord President and the Council and the interest thereon shall thereupon immediately become due and payable

IN WITNESS whereof the said Gerald Reid Barry has hereunto set his hand and seal and the Council and the Company have caused their respective Common Seals to be hereunto affixed the day and year first before written

SIGNED SEALED AND DELIVERED by the said Gerald Reid Barry in the presence of: } (Signed) GERALD BARRY. Seal

(Signed) Muriel L. Dixon,
38, Sidney Street, S.W.3.
Private Secretary.

SEALED BY ORDER
(Signed) T. G. Randall,
Deputy Clerk of the Council.

The Common Seal of the London County Council

THE COMMON SEAL OF FESTIVAL GARDENS LIMITED was hereunto affixed in the presence of: } Seal of Festival Gardens Limited

(Signed) H. L. French,

(Signed) Leonard Crainford,
Directors.

(Signed) F. A. Ricketts,
Secretary.

Notes to Appendix II

1. It is most unfortunate that this Agreement was not finalised until 24th November, 1950.

2. In my opinion, the Company has failed to keep full, complete and accurate accounts and records for all commitments involving expenditure as required under Clause 5, and is not now in a position to adhere to the Agreement in this respect. Moreover, the Company's records do not seem to be adequate to supply the Lord President and the Council with all material details of its activities as required by Clause 9.

3. Clause 10 is, and probably always has been, impossible to carry out.

4. On 1st January, 1951, the following letter was addressed to the Office of the Lord President:—

> "I understand from Mr. Campbell, Director of Finance and Establishments, Festival Office, that the Lord President desires to have an assurance in writing that the Company would be able to fulfil its programme without asking for any increase in the loan.
>
> I am happy to confirm that this is indeed the considered opinion of the officers of the Company, but I must make it clear that in arriving at this view, it has been assumed that the Company would be (*a*) entitled to use its accumulated revenues for current expenditure by periodic authority of the Festival Office and the London County Council, as provided in the Loan Agreement; and (*b*) permitted to participate fully in the advance booking scheme, and to utilise the cash resources thereby available.
>
> I am sure you will be good enough to let me know whether you require either of these points to be further enlarged."

The following reply was received by the Company:—

> "Many thanks for your letter of 1st January. The Festival Office having confirmed your assumptions (*a*) and (*b*) I will now advise the Lord President that he can rely upon your getting through on the loans already authorised without coming back for any additional finance."

I am unable to believe that the opinion offered by the officers of the Company in the above letter was arrived at after sufficiently careful consideration of the facts which were then available.

APPENDIX III

Board of Directors

At the first official Board Meeting held on 25th November, 1949, the following Directors were formally appointed upon the nomination of the Chairman of the Festival of Britain Council and with the prior approval and consent of the Treasury (representing the Government and the Lord President of the Council, as the designated Minister), and of the London County Council:—

SIR HENRY L. FRENCH, G.B.E., K.C.B. (*Chairman*)
Former Permanent Secretary of the Ministry of Food; now Director-General of the British Film Producers Association.

LORD ABERCONWAY, C.B.E.
President of the Royal Horticultural Society.

GERALD BARRY
Director-General of the Festival of Britain.

G. A. CAMPBELL
Director, Finance and Establishments, Festival Office.

SIR CHARLES B. COCHRAN
Theatrical Magnate.

CECIL COOKE
Director, Exhibitions—Festival Office.

ALDERMAN D. H. DAINES, J.P.
Chairman of Finance Committee, L.C.C.

I. J. HAYWARD, J.P.
Leader of the London County Council.

GRANVILLE J. HILL
Vice President, Showmen's Guild.

MAJOR H. LESLIE JOSEPH
Chairman, National Amusements Council.

LORD LATHAM, J.P.
Chairman, London Transport Executive.

SIR HOWARD ROBERTS, C.B.E., D.L.
Clerk of the London County Council.

BERNARD C. SENDALL
Controller, Festival of Britain.

The fourteenth directorship was filled on the 26th January, 1950, by the appointment of—

SIR ARTHUR ELVIN, M.B.E., D.L.
Chairman and Managing Director, Wembley Stadium Limited.

Lord Aberconway found it necessary to retire from the Board early in 1950, and on the 23rd February, 1950, was replaced by the election of—

SIR GILES R. LODER, Bart.
Member of the Council of R.H.S.

In March, 1950, Sir Charles Cochran resigned on medical advice, and the vacancy was filled on the 22nd June, 1950, by the appointment of—

LEONARD CRAINFORD
Formerly Secretary of the Festival of Britain and of the Company,

who, at the same time, was appointed Managing Director.

Theoretically all members of the Board share equal responsibility for all action or lack of action during any period while they have acted. In practice, this is clearly not so in the case under consideration.

Administration

At the first meeting of the Board Mr. L. Crainford was appointed Secretary of the Company and Mr. F. Ricketts Assistant Secretary. On the 13th December, 1949, Mr. M. P. O'Hara was appointed Deputy General Manager.

In January, 1950, a Presentation Committee consisting of Mr. Gerald Barry (Chairman), Mr. Cecil Cooke and Mr. James Gardner was appointed. Mr. G. A. Campbell was co-opted to this Committee in May, 1950, and Mr. Crainford attended all its meetings. Its terms of reference were approved by the Board of Directors on 25th May, 1950, as under:—

Within the limits of finance prescribed by the Board in principle and confirmed by the Finance and General Purposes Committee in detail:—

(1) to direct the preparation of designs for all buildings, features, projects and attractions within the Gardens;

(2) to commission designs, whether singly or in competition, and to accept or reject the same on assessment of their artistic merit;

(3) to determine matters of architectural significance consulting with the Chairman of the Architecture Council, Festival Office (acting for the R.I.B.A.) and with the Director of Architecture, Festival Office;

(4) to approve the engagement of all bands acts, turns, shows, attractions, entertainments, performances and exhibitions outside the main Amusement Area, and to advise on the suitability of features within the Amusement Area in conjunction with the Finance and General Purposes Committee;

(5) to have the power to co-opt other members for special or general purposes or occasions;

(6) to present periodic Progress Reports to the Board.

A Finance and General Purposes Committee was appointed on 27th April, 1950, which consisted of Sir Henry French (Chairman), Mr. G. A. Campbell, Mr. Cecil Cooke, Alderman D. H. Daines, Sir Arthur Elvin, Major H. L. Joseph. Mr. Crainford also attended meetings of this Committee, whose terms of reference were stated on 25th May, 1950, as under:—

Within the policy and code of principles laid down by Resolutions of the whole Board:—

(*a*) to apply for loans and advances from H.M. Government and the L.C.C.;

(*b*) to receive offers and make lettings of rights for the various concessions in the Company's disposal;

(*c*) to arrange all tenders and contracts for works, supplies and services required by the Company when the cost exceeds £50;

(*d*) to sanction the appointment, remuneration and disposal of all staff above a salary level of £500;

(*e*) to undertake the conduct of all other requirements or obligations of the Company of a financial nature, with power to act; and

(*f*) to watch the progress of work at Battersea Park at every stage and to give such directions as may be necessary for its proper and timely completion.

Notes to Appendix III

1. The lateness of appointing a Finance Committee and fixing its terms of reference is unfortunate.

2. It is possible that certain members of the Board originally believed that the Festival Office was maintaining records which in fact were not being kept. In this connection, a note of an informal meeting of designated directors held on 27th September, 1949, states:—

"The Chairman said that the Festival Gardens, being only a part of a much larger organisation—the Festival of Britain 1951 itself—it was essential in his view that the relationship between the Company and the Festival Office should be as close as possible in order to make full use of the expert knowledge of the Festival Office staff, both technical and administrative; to achieve complete

co-ordination; to maintain economy and also to ensure that the policy of the Festival Gardens remained in complete harmony with the aims and theme of the Festival of Britain. This close relationship which naturally would include consultation with and use of, the constituent bodies of the Festival organisation, was unanimously agreed by the meeting to be most important."

This may, in some measure, have accounted for the delay in setting up a suitable organisation responsible directly to the Board of Festival Gardens Ltd. Some directors were in a position to know the full facts better than others.

SUMMARY OF APPENDIX IV

Placing the Contract

It is understood that preliminary enquiries were made as to the likelihood of various contractors being able to undertake the work but the first recorded meeting on this matter took place on 2nd February, 1950.

At this meeting, it was stated that the larger firms would have to be excluded as they were fully employed elsewhere, and only six names seem actually to have been mentioned:—

Dowsett Engineering Construction.
Lavender McMillan.
Kirk & Kirk.
Higgs & Hill.
McAlpine.
Peter Lind.

The last three were excluded as they were thought to be heavy builders, and it was decided to send invitations to the first three companies.

A Building and Works Contracts Sub-Committee was formed and met on 29th March, 1950, to open the tenders and award a contract.

The tenders were as under:—

Name	Amount of Tender	Completion Period
	£ s. d.	
Lavender McMillan Ltd.	535,774 12 4	54 weeks
Kirk & Kirk Ltd.	525,491 0 0	52 weeks
Dowsett Engineering Construction Ltd. ...	524,370 0 0	54 weeks

Work on the site commenced three days later.

APPENDIX V

Construction Contract

The contract is based on the standard form issued under the sanction of the Royal Institute of British Architects and the National Federation of Building Employers. The more important clauses seem to me to be as under:—

(1) The Employer will pay to the Contractor the sum of Five hundred and twenty-four thousand, three hundred and seventy pounds (£524,370) (hereinafter referred to as the " Contract Sum ") plus (if the amount of the Remeasurement Bill referred to below be greater than the Contract Sum) or minus (if the reverse be the case) the difference between the Contract Sum and a Sum which shall be ascertained by the complete remeasurement of the works and the pricing of this Remeasurement Bill at the rates contained in the Bills of Quantities or at rates analogous thereto.

(2) The Architect shall furnish to the Contractor, either by way of carefully dimensioned drawings or by personal supervision at the time of setting out the Works, such information as shall enable the Contractor to set out the enclosing walls of the building

at ground level after which the Contractor shall be responsible and shall at his own cost amend any errors arising from his own inaccurate setting out, unless the Architect shall otherwise direct.

(3) No variation shall vitiate this contract.

(4) On or before the Date for Possession stated in the appendix to these Conditions possession of the site shall be given to the Contractor who shall thereupon begin the Works forthwith and regularly and diligently proceed with the same and shall complete the same on before the Date for Completion stated in the said appendix subject nevertheless to the provisions for extention of time contained in clause 18 of these Conditions.

(5) If in the opinion of the Architect the Works be delayed

(i) by force majeure, or

(ii) by reason of any exceptionally inclement weather, or

(iii) by reason of such loss or damage by fire as is referred to in clause 15 of these Conditions, or

(iv) by reason of civil commotion, local combination of workmen, strike or lockout affecting any of the trades employed upon the Works, or

(v) by reason of Architect's Instructions given in pursuance of clause 1 of these Conditions, or

(vi) because the Contractor has not received in due time necessary instructions from the Architect for which he shall have specifically applied in writing, or

(vii) by delay on the part of nominated Sub-Contractors or nominated Suppliers which the Contractor has in the opinion of the Architect taken all practicable steps to avoid or reduce, or

(viii) by delay on the part of other contractors or tradesmen engaged by the Employer in executing work not forming part of this contract,

then in any such case the Architect shall make a fair and reasonable extension of time for completion of the Works. Upon the happening of any such event causing delay the Contractor shall immediately give notice thereof in writing to the Architect, but he shall nevertheless use constantly his best endeavours to prevent delay and shall do all that may reasonably be required to the satisfaction of the Architect to proceed with the Works.

(6) Provided always that in case any dispute or difference shall arise between the Employer or the Architect on his behalf and the Contractor, either during the progress or after the completion or abandonment of the Works, as to the construction of this contract or as to any matter or thing of whatsoever nature arising thereunder or in connection therewith (including any matter or thing left by this contract to the discretion of the Architect or the withholding by the Architect of any certificate to which the Contractor may claim to be entitled or the measurement and valuation mentioned in clause 9 of these Conditions or the rights and liabilities of the parties under clauses 19, 20 or 25 of these Conditions), then either party shall forthwith give to the other notice in writing of such dispute or difference, and such dispute or difference shall be and is hereby referred to the arbitration and final decision of a person to be appointed on the request of either party by the President or a Vice-President for the time being of the Royal Institute of British Architects, and the award of such Arbitrator shall be final and binding on the parties.

Date of possession of the site is stated to be 1st April, 1950, and the completion date 14th April, 1951. Damages for non-completion are stated at £25 per week.

In November, 1950, there was an informal meeting attended by the managing director and his technical assistant, the quantity surveyors and others to discuss the best methods of speeding up the work which was far behind schedule. The Finance and General Purposes Committee agreed on 7th December that the following letter should be sent to the contractors:—

" With further reference to the letters exchanged between this Company and yourselves on 1st November, my Board has now confirmed the payment to you of additional costs occasioned by:—

(1) Difficulties outside your control in carrying out this Contract; and

(2) Approved action taken outside the provisions of the Contract to accelerate the work.

My Board agree with you that the competent authority to decide and assess the necessary additions to the Contract is the appointed firm of Quantity Surveyors, Messrs. Ball & Partners, and, as suggested in your letter, is prepared to leave the matter entirely in their hands to arrive at a fair settlement.

We have therefore instructed Messrs. Ball & Partners accordingly and a copy of our letter is enclosed for your information.

This does not, of course, in any way modify the normal relationship between your firm as Contractors and the Company's Co-ordinating Architects, Messrs. Harrison & Seel and a copy of this letter is being sent to them."

It is stated that the contract was thereafter operated as if it was on a cost plus basis, although some payments were subsequently made on a measurement basis. The contractors became disturbed at this and, as a result of their submissions and on the advice of the quantity surveyors, the Finance Committee and eventually the Board agreed that a further letter dated March 23rd, 1951, should be sent to the architects. (This letter is reproduced on p. 36.)

The above is a summary of the present situation which I still find somewhat obscure, although I have given it considerable attention. Points which seem to be of interest are:—

(1) The Finance Committee does not seem to have realised the alleged change in the basic nature of the contract until its meeting on March 8th, 1951, when the matter was fully explained by Messrs. Ball & Partners.

(2) The Board as a whole does not seem to have been fully aware of the circumstances until March 15th, 1951.

(3) The Company's solicitors were not consulted at any stage although the quantity surveyors suggested this course to the Finance Committee.

(4) No estimate of the additional cost appears to have been given or asked for until February, 1951. No doubt previous estimates might have been unreliable, but the attempt might have been made.

A general history of the contract is as follows:—

1. It was originally known to all concerned that the total cost based on measured quantities would be in the neighbourhood of £800,000. Estimates produced by the architects in February, 1950, confirm this figure.

2. Certain features were expected to be sponsored by outside interests and were omitted from the June budget. It seems that the cost of these items was about £125,000, but the situation is somewhat obscure. Increases in the scale of other projects have arisen.

3. Only nine acres of the site were handed over to the contractors on April 1st. A further sixteen acres passed to them at the beginning of June and the remaining twelve acres at the beginning of October.

4. Work proceeded slowly during the summer as may be seen from the attached summary of payments and labour employed. Official complaints were made by the contractors because drawings were not available as required.

5. In February, 1951, an estimate of total cost of the final plan based on measured quantities was prepared. This estimate amounts to about £950,000.

6. The contractors estimate that the total cost on a cost plus basis will amount to not less than £1,350,000. An approximate analysis of this figure is attached.

Summary of Estimated Costs

	£	£
Amount originally estimated by Architects on 19th February, 1950 (say)		800,000
Contract placed on 8th May, 1950		524,370
Allowed in June Budget		575,000
Allowance for sponsored items (say)		125,000
		700,000
Additional costs on measurements basis arising from improvements or additional features or the retention of items expected to be sponsored		250,000
Total cost on measurements basis		950,000
Add: Approximate additions for—		
Increased cost of material	40,000	
National Labour award	15,000	
Loss of effective production	80,000	
Bonuses	70,000	
Overtime	50,000	
Extra Travelling time, etc.	20,000	
Dayworks	30,000	
Extra Canteens, Security, etc.	20,000	
Extra Hardcore, Pumping, etc.	35,000	
		360,000
		1,310,000
Allowance for work in May		50,000
		£1,360,000

N.B. The above is approximate only and is still subject to variations or additions.

Principal Statistics

Month	Average Labour Strength	Monthly Value of Work done	Cumulative Value of Work done	Progress Payments	Rainfall in inches	Average Rainfall in inches over 35 years
1950	No.	£	£	£		
April ...	27	11,111	11,111	—	1·85	1·54
May ...	57				1·28	1·76
June ...	60	11,666	22,777	20,500	1·15	2·02
July ...	102				3·19	2·38
August ...	183	25,556	48,333	—	1·54	2·21
September ...	173	37,778	86,111	23,000	2·15	1·82
October ...	264	48,333	134,444	34,000	·51	2·63
November ...	628	53,333	187,777	43,500	4·57	2·36
December ...	954	81,111	268,885	48,000	1·66	2·39
1951						
January ...	1,283	119,155	388,043	108,000	3·17	1·86
February ...	1,455	261,957	650,000	123,000	5·56	1·67
March ...	1,470	268,000	918,000	328,000	3·16	1·83
		£918,000		£728,000		

APPENDIX VI

Comparison of Estimates of Expenditure and Income Reported to the Board and/or H.M. Treasury

Distribution:	Sent to the Board only	Sent to the Board only	Sent to the Board and The Lord President's Office		Summary sent to H.M. Treasury. Details sent to the Board only and not yet approved by them
Date:	March, 1950	June, 1950	November, 1950 Sunday Opening	November, 1950 Sunday Closing	March, 1951
EXPENDITURE	£	£	£	£	£
I. Site Work	227,000	211,800	238,495	238,495	260,550
II. Construction Work					
(*a*) Catering Establishments and Beer Gardens ...	99,400	86,600	161,900	161,900	179,600
(*b*) Amusements, Shops and Kiosks, etc. ... ... Other Facilities	126,525	78,900	192,730	192,730	208,010
(*c*) Dance Halls, Theatres, River Pier, etc.	98,000	85,500	145,000	145,000	170,000
(*d*) General	82,500	112,300	129,700	129,700	147,070
	406,425	363,300	629,330	629,330	704,680
Demolition	100,000	90,000	90,000	90,000	90,000
Fees	40 000	57,000	117,500	117,500	160,000
Contingency for extra costs ...			80,000	80,000	516,000
Estimated cost of work to be done after date of opening ...					150,000
	546,425	510,300	916,830	916,830	1,620,680
III. Operational Costs:					
(*a*) Provision for Amusements	82,000	90,000	74,450	74,450	98,800
(*b*) Salaries and Wages at Site	89,195	83,000	92,350	85,798	182,760
(*c*) Site Expenses	67,995	67,395	76,493	74,675	90,540
	239,190	240,395	243,293	234,923	372,100
IV. Head Office Expenditure:					
(*a*) Salaries	11,310	12,425	11,160	11,160	21,220
(*b*) Office and Miscellaneous Expenses	5,000	7,250	10,837	10,837	12,470
(*c*) Publicity	28,000	25,000	47,620	47,620	47,620
(*d*) Loan Interest	12,000	6,000	6,000	6,000	6,000
	56,310	50,675	75,617	75,617	87,310
V. Contingency	100,000	100,000	150,000	150,000	117,030
TOTAL EXPENDITURE ...£	1,168,925	1,113,170	1,624,235	1,615,865	2,457,670

Distribution:	Sent to the Board only	Sent to the Board only	Sent to the Board and The Lord President's Office		Summary sent to H.M. Treasury. Details sent to the Board only and not yet approved by them
Date:	March, 1950	June, 1950	November, 1950		March, 1951
			Sunday Opening	Sunday Closing*	
	£	£	£	£	£
INCOME					
I. Entrance Fees	375,000	528,000	560,000	419,889	468,000
II. Amusement Concessions, Shop Rents, etc.	353,570	332,470	352,400	281,137	301,836
III. Catering Facilities and Beer Gardens	102,600	37,600	52,000	46,830	47,500
IV. Other Facilities	32,000	34,500	78,000	75,500	106,700
V. Miscellaneous (Programmes, Guides, etc.)	7,500	30,875	52,945	51,195	82,235
VI. Refunds of Capital Expenditure					
(*a*) Sponsored Fixtures, Concert Pavilion, etc. ...	9,600	—	81,180	81,180	80,967
(*b*) Disposal of Assets ...	50,000	50,000	89,000	89,000	89,000
	59,600	50,000	170,180	170,180	169,967
TOTAL INCOME ... ...£	930,270	1,013,445	1,265,525	1,044,731	1,176,238
ESTIMATED DEFICIT ...£	238,655	99,725	358,710	571,134	1,281,432

* "Sunday Closing" refers to the Fun Fair, not the Gardens as a whole.

Extract from Notes to Appendix VI

I find great difficulty in expressing any opinion as to the value of the cash budgets. The one submitted to the Board in March 1950 appears to be a reasonable forecast of probabilities based on facts as then known to the Company. Even in this case, however, I am not able to reconcile the estimated construction costs with the preliminary figures submitted by the architects in February 1950. This budget was revised in order to conform with the limits of the finance available and the reduced figures were submitted to the Lord President. In itself this action was an entirely proper one, but subsequent steps taken to enforce the reduction seem to have been quite inadequate as the original scale of planning became larger instead of smaller. Whether or not the June budget figures could in any case have been adhered to at that stage of planning is open to doubt, and I cannot, therefore, say if the obvious faults of this document are wholly due to subsequent lack of financial control.

By the time the November figures were prepared the final plan was taking shape and many difficulties were already foreseen which do not seem to me to have been fully allowed for in the estimates. It was known that drastic action was being taken to speed construction and that certain changes were being made in the nature of the contract, and it can hardly have been thought that these actions would not involve

substantial expenditure in excess of measured quantities based on March costs. I am doubtful whether the increased contingency allowances make full provision for this factor in view of the fact that operating costs were mainly unchanged in spite of the larger scale of planning.

The March 1951 figures may be on the high side unless further adverse developments arise, but this budget was specifically designed to cover the maximum cost of construction and operation. If any large measure of reinstatement is necessary when the Park is handed back to the London County Council, the costs of demolition and closing-down may be well in excess of the disposal price of assets and it is, of course, impossible to estimate revenue with any degree of certainty.

FESTIVAL GARDENS LIMITED

Schedules to Appendix VI

EXPENDITURE

	March, 1950	June, 1950	November, 1950	March, 1951
I.—Site Work:	£	£	£	£
Boundary Fencing	5,000	3,000	2,500	2,500
Levelling and paving ...	80,000	67,000	67,000	69,000
Hard surface for Amusement Park		12,000	15,000	17,000
Gardens	40,000	33,000	35,000	36,000
Main Services	78,000	78,000	94,695	111,750
Maintained lighting	6,000	6,000	6,000	6,000
Free seats	6,000	6,000	7,500	7,500
Street furniture (Drinking fountains, etc.)	2,000	2,000	6,000	6,000
Car Park	10,000	4,800	4,800	4,800
	£227,000	211,800	238,495	260,550
II.—(*a*) Catering Establishments and Beer Gardens:				
West End Restaurant ...		10,000	15,000	25,200
Main Restaurant		26,000	36,000	38,400
Riverside Restaurant (L.C.C.)		—	10,000	10,000
Pierhead Cafeteria ...		16,000	20,000	20,000
English Tea Gardens ...		3,500	5,500	5,900
Garden Long Bar ...		6,000	7,000	8,250
Vista Terrace Cafe... ...	86,000	1,800	2,200	3,450
Vista Terrace Tea House ...		1,800	2,200	3,450
Garden Tea Pavilion ...		—	6,000	9,000
Pierhead Snack Bar ...		2,000	2,000	2,750
Emmett Railway Snack Bar		3,000	3,000	3,000
Amusement Area Snack Bar		2,500	2,500	5,900
Children's Snack Bar ...		2,500	1,500	1,500
Stage Snack Bar		3,000	—	—
Staff Canteen	8,400	8,500	8,500	8,500
Caterers' Service Block	—	—	*2,000	—
Hot water equipment	5,000	—	*6,500	—
Poolside Beer Garden	—	—	10,000	10,000
Bandstand Beer Garden	—	—	11,000	12,300
Vista Beer Garden	—	—	11,000	12,000
	£99,400	86,600	161,900	179,600

* Absorbed into costs of individual units in March, 1951, figures.

	March, 1950	June, 1950	November, 1950	March, 1951
	£	£	£	£
II.—(*b*) Amusements, Shops, Kiosks, etc. (including Sponsored Features)				
Sponsored Features:				
Nestle's Playground ...			10,000	10,000
Children's Zoo			9,500	14,500
Aviary			5,000	5,000
Tree Walk			5,500	5,500
Crazy Clock	48,000		4,500	4,500
Punch and Judy ...			1,680	720
Grotto			17,000	17,000
Music Pavilion			2,500	2,900
Performing Clown ...			1,500	—
£	48,000	—	57,180	60,120
Amusements and Features:				
Fun House	—	—	12,000	12,000
Emmett Stations	—	—	17,000	17,000
Fountain Bandstand	3,500	3,500	—	—
Access to The Bounty	—	—	350	—
Fluorescent Gardens	—	—	3,000	—
Peter Pan Railway	—	—	500	500
Fountain Tower	—	—	—	5,500
Balloon Effect	—	1,500	—	—
Piazza, Entrance and Covered Way	4,500	6,000	5,200	7,200
Additional Features	—	—	10,000	9,490
£	8,000	11,000	48,050	51,690
Shops, Kiosks, etc.:				
Booths, shops, showcases, etc....	55,900	55,900	64,300	69,550
Kiosks	14,625	12,000	23,200	26,650
£	70,525	67,900	87,500	96,200
£	126,525	78,900	192,730	208,010
II.—(*c*) Dance Halls, Theatres, etc.:				
River Pier and decorations ...	45,000	45,000	45,000	55,000
Concert Pavilion (L.C.C.) ...	—	—	26,000	33,500
Riverside Theatre and furnishings	20,000	20,000	30,000	32,300
Main Stage and wet weather pavilion	7,000	7,000	7,000	7,700
Dance Pavilion	16,000	* —	23,000	27,500
Lake...	10,000	13,500	14,000	14,000
£	98,000	85,500	145,000	170,000

* It was thought that the Dance Pavilion would be sponsored, and it was accordingly left out of account in the June budget.

	March, 1950	June, 1950	November, 1950	March, 1951
II.—(*d*) General:	£	£	£	£
Entrances	5,000	8,500	8,500	8,500
Main Vista, etc.	4,000	19,000	25,450	29,125
Fountains	10,000	10,000	16,000	16,425
River Area	—	4,000	4,000	3,000
Band Stand	—	1,250	1,250	1,750
Central Circulation	—	2,500	2,500	2,500
Administrative Block	6,500	5,300	7,000	8,820
Shelters	4,500	4,500	1,000	2,000
Police Control	—	—	500	500
Lavatories	17,000	19,750	27,000	27,000
First Aid Posts	—	—	1,000	1,000
Illuminations	30,000	30,000	30,000	30,000
Fire equipment	5,500	5,500	5,500	5,500
Main carriageway	—	2,000	—	—
Sundries (including £8,000 unaccounted for)	—	—	—	10,950
£	82,500	112,300	129,700	147,070
III.—(*a*) Operational Costs:				
Bands, etc. ... ... }	60,000	60,000	16,750	12,934
Artistes and Production ... }			39,500	43,316
Film Show	—	—	—	3,875
Dance Pavilion	—	—	—	6,000
Reserve for Sunday entertainment (including £10,000 for Bands)...	—	—	—	14,125
Fireworks	22,000	22,000	18,200	18,550
Pier Operating Costs	—	8,000	—	—
£	82,000	90,000	74,450	98,800

	March, 1950	June, 1950	November, 1950 Sunday opening	November, 1950 Sunday closing	March, 1951
III.—(*b*) Salaries and Wages at Site:	£	£	£	£	£
Wages	76,745	66,000	66,600	60,048	137,010
Staff salaries	12,450	17,000	22,000	22,000	28,000
Technical Controller	—	—	—	—	10,000
Dance Pavilion	—	—	—	—	4,000
Entertainments	—	—	3,750	3,750	3,750
£	89,195	83,000	92,350	85,798	182,760
Estimated number of weekly employees	433	358	359	359	584

Notes:—(1) Estimates of rates of pay for different categories of workers show an overall average increase of about 10s. per week between March, 1950 and March, 1951.

(2) The technical controller is being paid a fee and should therefore have been included under the heading of " Fees."

	March, 1950	June, 1950	November, 1950	March, 1951
	£	£	£	£
III.—(*c*) Site Expenses:				
Electricity, Water and Gas ...	15,000	11,000	9,600	10,000
Vans, Water Carts, etc.	3,200	3,200	3,500	3,500
Telephones, etc.	500	1,000	2,250	3,000
Insurance	2,000	3,000	3,003	3,500
Registers and Coin Counters—				
Hire	195	195	—	—
Purchase	—	—	2,220	3,470
Garden Area costs...	—	—	3,000	3,000
Disinfectants, towels, etc. ...	2,000	2,000	5,000	4,600
Maintenance, repairs and replacements, etc.	14,000	13,500	9,100	9,100
Modifications	7,500	—	—	—
First Aid	10,000	7,500	7,500	10,000
Police	4,000	4,000	9,320	9,320
Uniforms	5,000	5,000	5,000	3,500
Rates	—	15,000	15,000	15,000
Furniture	2,000	2,000	2,000	7,470
Dust Coats (recoverable)	2,600	—	—	—
Contingency and sundries ...	—	—	—	5,080
£	67,995	67,395	76,493	90,540
Less: Saving on Sunday closing ...			1,818	
			£74,675	
IV.—(*a*) Head Office Salaries ...£	11,310	12,425	11,160	21,220

Note:—The increase in March, 1951, is due to provision having been made for salaries during the period when the Company is being wound up.

INCOME

	March, 1950	June, 1950	November, 1950		March, 1951
			Sunday opening	Sunday closing	
	£	£	£	£	£
I.—Entrance Fees:					
Based on attendance of 30,000 per day at 1s. 70,000 Saturdays and 60,000 Sundays at 1s. 6d. Children half price. Tax of 1d. on 1s. 6d. tickets	375,000				
Based on attendance as above but 2s. per day entrance fee (children 1s.) less deductions for tax of 2d. on 2s. and 1d. on 1s. and less 10 per cent. agency commission on 40 per cent. of sales		528,000			

	March, 1950	June, 1950	November, 1950 Sunday opening	November, 1950 Sunday closing	March, 1951
	£	£	£	£	£
Based on 40,000 per day at 2s. each. Adult 70 per cent., children (half price) 30 per cent., less 2d. tax on 2s. and 1d. on 1s.			560,000		
Based on 35,000 per day at 2s. and 20,000 each Sunday at 1s. 26 weeks., Children half price. Tax deducted				419,889	
Basis as above but 185 days instead of 26 weeks and includes estimate for advance bookings. No tax payable on 1s. tickets ...					468,000
II.—Amusement Concessions, Shops, etc.:					
Fun Fair concessions, etc. ...	236,520	235,420	238,380	181,175	183,451
Seat concessions	2,000	2,000	5,000	3,750	6,750
Pier charges	9,000	12,000	3,000	3,000	3,000
Lake	—	—	1,500	1,125	1,200
Shops and showcases	32,400	32,400	43,920	41,200	46,360
Kiosks, etc.	73,650	50,650	60,600	50,887	61,075
£	353,570	332,470	352,400	281,137	301,836
III.—Catering Facilities and Beer Gardens:					
Restaurants	98,000	35,000	31,000	25,830	26,500
Canteen	2,000	—	—	—	—
Beer Gardens	2,600	2,600	21,000	21,000	21,000
£	102,600	37,600	52,000	46,830	47,500
IV.—Other Facilities:					
Lavatories	17,000	17,000	20,000	17,500	17,500
Car Park	15,000	17,500	8,000	8,000	10,000
Entertainments	—	—	50,000	50,000	50,000
Dance Pavilion	—	—	—	—	20,000
Light Concerts	—	—	—	—	9,200
£	32,000	34,500	78,000	75,500	106,700
VI.—(*a*) Sponsored Features, Concert Pavilion, etc.:					
Estimated refunds on account of Capital Expenditure—					
Landscape Firms	7,000	—	—	—	—
Concert Pavilion (L.C.C.) ...	—	—	26,000	26,000	20,000*
Tea Pavilion (L.C.C.) ...	—	—	10,000	10,000	10,000
Special Features	—	—	45,180	45,000	50,967
Dust coats (assumed recoverable from concessionaires)	2,600	—	—	—	—
£	9,600	—	81,180	81,180	80,967

* Should have been £26,000.

Private and Confidential

COMMENTS BY THE BOARD OF DIRECTORS ON THE REPORT BY Mr. H. N. BUTLER OF MOORES, CARSON & WATSON

Introduction

1. The main burden of the report is directed first to the early delays, secondly to the alleged organisational shortcomings of the Company and thirdly to the change in the basis of the contract and the failure to realise the increase in cost of the Scheme from November, 1950.

A. Reasons for Delays

2. We turn first to the general criticisms made in the report about the lack of progress in the early stages (*pp.* 1 *and* 2 *of summary of main report and conclusion* (*a*) *on page* 2). It will be appreciated that we did not come into existence until 25th November, 1949. When we commenced our work plans and designs were in outline only and consisted of some broad general sketch plans of a suggested layout of the gardens and some rough sketch designs of certain features which it was proposed to include. Certain important alternatives were suggested to the Board and negotiations took place with a view to engaging the services of expert designers to take over responsibility for a large section of the work. These negotiations broke down and on 12th January Mr. James Gardner was entrusted with the full responsibility of the preparation of the overall layout of the gardens as a whole. It will be appreciated that certain fundamental work, such as the laying of mains and services could not be undertaken until the general layout had been approved and the location of buildings requiring those services had been, at any rate, approximately fixed. A contributory cause of delay was that we considered it desirable that the design and lay-out of the catering buildings should meet the requirements of the catering concessionaires, with whom negotiations were more prolonged than we could have foreseen. The fact, therefore, that the site became available to the contractors in sections did not, of itself, result in any material hold up in operations.

3. As regards the placing of the contract (*Appendix IV*), we invited tenders from three firms chosen on the best advice from a very limited field; and the lowest tender, submitted by Dowsett Engineering Construction, Ltd., was accepted.

4. Finally, in connection with this aspect of the inquiry, we would emphasise the strict time limit within which we had to complete an unusual and difficult task and it soon became apparent that, had it been possible for us to be appointed a few months earlier, the work would have been greatly facilitated and many difficulties avoided.

B. Organisation of the Company

5. On *pp.* 1 *and* 2 *of the summary of the main report and in conclusions* (*b*), (*c*), (*d*) *and* (*e*) criticisms are levelled against our organisation. We were appointed as part-time members of the Board upon the nomination of the Festival of Britain Council and with the prior approval of the Lord President of the Council and of the London County Council.

6. Thus the directorial structure of the Company was not settled by us. The Board was not created on the basis of the directors being assigned particular functional responsibilities. Nor having regard to our other commitments could we have accepted office on that basis. Accordingly, we have operated within the framework of the constitution laid down for us. We did not think it necessary, even had such a course been feasible, to nominate any one or more of us to take over heavy individual responsibility for the work of construction, operation or finance, as suggested in the report. Those of us who are specialists or experts in various fields have been available at all times for consultation with the officers, and the officers knew this. One or two of us have given very considerable help and indeed taken a large measure of responsibility for the particular fields in which we were experienced, e.g., the amusements park, horticultural arrangements.

7. This being the position, we were bound to rely and did in fact rely mainly upon our officers and on the specialist firms employed instead of ourselves undertaking direct executive responsibilities. At the same time, we considered ourselves part of a larger organisation—the Festival itself—and had the benefit of the expert knowledge and advice of their officers when sought.

8. Our first Secretary, Mr. Crainford (part-time) and Assistant Secretary, Mr. Ricketts (full-time) were appointed by us at our first meeting. Other staff were also appointed. Initial steps were taken, before we were officially appointed, to select a list of suitable candidates for the position of General Manager. Because of the temporary nature of the project we were, however, unable to find a candidate whose qualifications and experience measured up to the standards we felt to be desirable and, at our second meeting on 13th December, 1949, we appointed the most suitable candidate available Deputy General Manager. Subsequently, though every effort was made to fill the position of General Manager, no suitable outside person could be found and, in June, 1950, we took the step of appointing our Secretary, who thereupon surrendered all other duties to the Festival, as full-time Managing Director. The Assistant Secretary was promoted to be Secretary.

9. As regards finance work, this fell within the field of the Secretary and his Assistant and we had no reason to suppose that the duties were not being satisfactorily performed. Later, on the recommendation of the officers and in order to speed up the granting of concessions, completion of contracts, etc., we appointed from our number a Finance and General Purposes Committee with the following terms of reference:—

"Within the policy and code of principles laid down by Resolutions of the whole Board:—

(*a*) to apply for loans and advances from H.M. Government and the L.C.C.;
(*b*) to receive offers and make lettings of rights for the various concessions in the Company's disposal;
(*c*) to arrange all tenders and contracts for works, supplies and services required by the Company when the cost exceeds £50;
(*d*) to sanction the appointment, remuneration and disposal of all staff above a salary level of £500;
(*e*) to undertake the conduct of all other requirements or obligations of the Company of a financial nature, with power to act; and
(*f*) to watch the progress of work at Battersea Park at every stage and to give such directions as may be necessary for its proper and timely completion."

With regard to Mr. Butler's opinion (*paragraph 2 of "Notes to Appendix II"*) that "the Company has failed to keep full, complete and accurate accounts and records for all commitments involving expenditure under clause 5 [of the Loan Agreement] and is not now in a position to adhere to the Agreement in this respect", we feel we must point out that as regards income and expenditure full and proper accounts on lines planned by the Auditors have been kept from the beginning.

10. Late last year and again in January, 1951, we felt obliged, because of changed circumstances, to appoint two other officers for special duties, and the circumstances in which this occurred are related below in chronological order.

C. Estimates before November

11. The original provisional estimates of £1,168,925 submitted to the Board at its meeting on 17th March, 1950, were sent back for revision and reduction, and at the next following meeting of the Board held on 23rd March, revised estimates reduced to £1,100,806 were submitted, and the general layout based thereon was approved by the Board.

On *page 4 of Appendix V* Mr. Butler says "It was known to all concerned that the total cost based on measured quantities would be in the neighbourhood of £800,000. Estimates produced by the Architects in February, 1950, confirmed this figure." If the words "all concerned" are meant to include the Board, this statement is not correct.

On the 29th March, 1950, on the advice of the Architects, the Quantity Surveyors and Mr. Lobb, the tender of the Dowsett Engineering Company was accepted for a figure of £524,370, to cover site and construction work, and the Board were entitled to assume that this tender was based upon a full understanding by the tenderer of the measured quantities. It was upon that tender, which later became a contract, that the Board thereafter worked and were entitled to work.

D. Difference between Estimates and Costs after November, 1950

12. *Introductory.*—We recognise that the reasons for the difference between the estimates of November, 1950, and the costs from November onwards—which is the gravamen of Mr. Butler's report—needs frank and full explanation and we feel that the most satisfactory way for us to do this is with some sacrifice of brevity to set out the course of events in chronological order, and to deal with Mr. Butler's points at the appropriate places in our account.

13. *November estimates* (*Appendix VI*).—The November estimates were presented to the Board on 10th November. The aggregate total of expenditure (£1,624,235) showed an increase on the June estimate (£1,113,170) due to the inclusion (on *both* sides of the account) of sponsored items amounting to £80,000 omitted from the June estimate, the inclusion at the Company's expense of other items for which no sponsors had been found, the increased cost of other items, an increase in the general contingency provision from £100,000 to £150,000 and the inclusion of a contingency item of £80,000 for " extra costs incurred by Contractors in respect of emergency measures."

14. *Appointment of Mr. Higgins* (*page 2 of summary of main report*).—On 9th November, 1950, the Finance and General Purposes Committee were disturbed at the unsatisfactory state of affairs revealed by the progress reports of the chief architects, and Mr. Crainford explained that he himself had been so disturbed that he had on his own authority on 1st November engaged Mr. Kenneth G. Higgins (senior partner in the firm of Higgins and Partners, Chartered Quantity Surveyors, of 96, Piccadilly, W.1) as technical assistant to himself. The Committee endorsed Mr. Crainford's action in making the appointment.

15. *The question of " extra charges " and the letter of 8th December* (*page 3 of main report, and Appendices V and VI*).—At this same meeting approval was sought to a letter that had been addressed to the Contractors on 1st November, authorising them to incur as extra charges on the building contract certain items of emergency expenditure.

16. Mr. Higgins reported to the Finance and General Purposes Committee on 7th December on the speeding up measures introduced in the development and organisation of affairs at Battersea Park and on the question of the Contractors' " extra charges ", with regard to which he submitted draft letters to the Contractors and the Quantity Surveyors. The drafts were considered word by word and amended by the Committee, and the letter as finally agreed and as set out on *page 2 of Appendix V* was sent the following day. The following facts must, we feel, be considered in conjunction with Mr. Butler's statement (*page 3 of Appendix V*) that the " Finance Committee does not seem to have realised the alleged change in the basic nature of the contract ":—

(i) The informal meeting, on 8th November, 1950 (*page 2 of Appendix V*), was held only for the purpose of introducing Mr. Higgins, a quantity surveyor himself, to the appointed Quantity Surveyors. The former Managing Director maintains that this meeting could have reached no authoritative agreement about the contract and no authority or instruction could have arisen from the meeting which could have led to the Contractors being informed that the contract was now on a cost-plus basis. Moreover, he regarded the meeting as of such little significance that he did not report it to the Finance Committee.

(ii) In fact the draft letters submitted by Mr. Higgins to the Finance and General Purposes Committee were based on the assumption by him that the fixed price contract continued to operate. The Finance and General Purposes Committee were themselves concerned that there should not be any doubt whatever that this was so and carefully amended the drafts of Mr. Higgins to make this abundantly clear.

(iii) In agreeing to send the letter, the Committee had no reason to suppose that the extra costs would involve the Company in expenditure heavier than that for which contingency provision had, for this very purpose, been made in the November estimates. Mr. Butler remarks (*notes to Appendix VI*) that " by the time the November figures were prepared . . . . it was known that drastic action was being taken to speed construction, and that certain changes were being made in the nature of the contract, and it could hardly have been thought that these actions would not involve substantial expenditure in excess of measured quantities based on March costs. I am doubtful whether the contingency allowances make full provision for this factor, in view of the fact that operating costs were mainly unchanged, in spite of the larger scale of planning ". The Company's November estimates were, of course, based on figures and assessments made by the Quantity Surveyors as at 1st November before this letter was sent but the possibility of the Company accepting liability for certain extra costs was clearly provided for. The preface to those estimates stated, " Notwithstanding that little remains to be done by way of planning, much of the detail is still fluid and expenditure remaining to ' finish the job ' is frankly assessed—though not without considerable thought and examination on the part of the Quantity Surveyors—on a somewhat generous basis, as a precaution of safety "; while the £80,000 for extra costs was described as " the sum recommended by the Quantity Surveyors to cover certified extras on the Main Contractors' account for overtime and other labour costs, increases in cost of material, etc.". No suggestion was made that the provision was inadequate for these extra costs, and it has yet to be shown that the provision would have been inadequate had the extra costs in fact remained limited, as envisaged by the Committee at that time.

17. *The advice given to the Lord President* (*Appendix II*).—The November estimates, which disclosed a possible deficit of £359,000 instead of the £100,000 budgeted for in June, were a cause of great disappointment to the Board. They were sent to the Lord President of the Council on 18th December, 1950, under cover of a letter from Sir Henry French, who explained the reasons for the increases and expressed the hope that the necessary financial provision would be made in the future estimates for the Festival Office.

18. The letter of 1st January, 1951, quoted by Mr. Butler in *note* 4 *to Appendix II*, was sent in reply to a specific enquiry from the Lord President's Office. On this Mr. Butler comments: " I am unable to believe that the opinion offered by the officers of the Company in the above letter was arrived at after sufficient careful consideration of the facts which were then available ".

On this the Secretary of the Company comments as follows:—

" When the letter was written to the Lord President's office on 1st January, 1951, the amount which had actually been paid to the Contractor was £169,000 against the amount which it was thought would have had to be met by that time of £250,000. The Quantity Surveyors were accordingly approached for information as to the sums which, in their opinion, would fall due for payment to the Contractors during the months of January to April, 1951, inclusive. Their estimate was £500,000, and the information which they gave was embodied in a Budget of Expenditure for three months ending 31st March, 1951, presented to the Finance and General Purposes Committees on 4th January, 1951, and used as the basis upon which applications for advances were authorised to be made to the Festival Office and (until the maximum amount of their loan had been reached) to the London County Council. The division of the total amount expected to be required against the building contract during those three months (as shown in the Budget just referred to) was made by the Quantity Surveyors who also indicated that, in their view at that time, not more than £150,000 would be required for the Contractors in April. The officers, therefore, had every justification in continuing to view the schedule of estimated incidence of expenditure as being realistic until, at the end of February, 1951, the Quantity Surveyors produced the figures which so alarmed the Board, the officers and everyone else concerned."

19. *Appointment of a Finance Officer.*—The Lord President's reply (11.1.51) to Sir Henry French, while reluctantly accepting the November estimates, expressed concern that the Company's financial control should be as thorough and efficient as that normally expected when the expenditure of public money was involved. Arrangements for carrying out the Company's financial work have been referred to earlier in Part B of this statement. The decision to appoint a finance officer had been taken by the Chairman early in December, 1950, but great difficulty was met in finding an officer with the right qualifications and it was not until 25th January, 1951, that the appointment of Mr. Sawers (ex-Director of Navy Accounts at the Admiralty) to this position was made.

20. *Attitude of the Contractors after 8th December (Appendix V).*—Turning now to the events which led up to the Company's further letter of 23rd March, 1951 (quoted on *page 3 of Appendix V*), the decision of 7th December to pay certain additional costs was followed by complaints from the Contractors at the continuance of some payments on a measurements basis. These did not reach the Board but were expressed at frequent meetings on the site between Mr. Higgins, the Quantity Surveyors and the Contractors.

21. The Managing Director of the Company attended a meeting on the site on 15th February, 1951, as a result of which he included in his report to the Board on 22nd February, 1951, a statement that the Quantity Surveyors had warned that the continuing increase in the construction contract figure was likely to be considerable. By this time revised estimates had already been called for and were in preparation. In a letter dated 7th March to the chief architects, the Contractors claim a further £60,000 on a certified payment for February, and stated: " You will agree that we have been told that no expense should be spared in the concerted effort to obtain completion, in fact it has been clearly indicated that we have received carte blanche, regardless of which we have nevertheless used every endeavour to keep the costs within bounds, as you are well aware ". In his reply the Managing Director vigorously opposed this contention and stated as follows: " Whilst agreeing that during the last few months I have pressed very hard for the speeding up of the work, I must immediately and emphatically deny that he should have been told ' that no expense should be spared to obtain completion '. On the contrary, the Company's letter of 8th December, 1950, a copy of which was sent to you, sets out very clearly the additional costs which we are prepared to meet. If you are aware of anything that could have given him the impression that he had received carte blanche, I must know of it immediately ".

22. *Letter of 23rd March (page 3 of Appendix V).*—At the beginning of March the Quantity Surveyors, at the instance of Mr. Sawers during February, produced a finance and progress statement for the building contract which first disclosed the extremely serious increase over the November estimate. The Company's officers discussed the matter with the Quantity Surveyors on 5th March. The figures came before the Finance and General Purposes Committees on 8th March, when the Quantity Surveyors expressed their views on the interpretation of the contract. Mr. Butler says that: " The Finance Committee does not seem to have realised the alleged change in the basic nature of the contract until its meeting on 8th March, 1951, when the matter was fully explained by Messrs. Ball and Partners ", and that: " The Board as a whole does not seem to have been fully aware of the circumstances until 15th March, 1951 ". That is the case; moreover, the officers do not appear to have been aware until presented with the March figures, of the implication or the extent of the change which the Quantity Surveyors considered had taken place following the meeting on 8th November.

It was agreed by the Finance and General Purposes Committee that Messrs. Ball and Partners should negotiate with the Contractors a fixed sum to cover the plus element of profit and overheads, and a letter was received on 13th March, 1951, from the Quantity Surveyors in which they reported that the Contractors had made three stipulations:—

(i) that the Board should make no claims against them;

(ii) that the Board should confirm the " conversion from schedule to cost plus ";

(iii) that payments for certificates should be made on the basis of their cost less proper retention;

and that, should the Board decide not to change the contract, they requested that the position be clearly and precisely defined within the next few days so that they could cease doing the things for which payment was doubtful and reduce the number of men on the site to an economic level. In the circumstances the Finance and General Purposes Committees and the Board had no alternative but to accept the position and the letter of 23rd March was the result.

23. We conclude our comments on this aspect of Mr. Butler's report by pointing out that: (i) the Finance and General Purposes Committee have no record or recollection of any suggestion by the Quantity Surveyors to them that the Company's Solicitors should be consulted, as stated by him on *page* 4 *of Appendix V;* (ii) he makes the point (*page* 4 *of Appendix V*) that no additional estimate of cost appears to have been given or asked for until February, 1951. This is because, even as late as January, there was no reason whatever to suppose that the extra costs would be on the scale that they ultimately were; (iii) we feel that the detailed statement of events given above shows that it was not, in fact, until 23rd March, that our policy could possibly be described as one of " subordinating all considerations to opening on the due date ", as suggested by Mr. Butler on *page* 2 *of the summary of his main report*, and even then our recourse to a cost-plus method was solely due to the necessity of acknowledging circumstances which had arisen without our knowledge. The appointment of the technical assistant with terms of reference to speed up construction work certainly was not made with the intention that financial considerations should henceforth be disregarded, and the reply quoted above to the contractors' letter about " carte blanche " speaks for itself.

Conclusion

24. In view of the wide range of Mr. Butler's comments and the very narrow margin of time allowed to us for the preparation of this statement, we have had to concentrate on the points which seemed to us to be of most significance, and the fact that we have not dealt fully with some others must not necessarily be taken to mean that we agree with Mr. Butler's conclusions thereon.

REPORT BY PEAT, MARWICK, MITCHELL & CO.

Private and Confidential 1*st June*, 1951

The Chairman of the Board of Directors,
Festival Gardens Ltd.,
Battersea Park,
London, S.W.11.

FIRST REPORT

Dear Sir,

1. The terms of reference under which we are carrying out our investigation, as contained in the Minutes of the Board of your Company, are:—

"To conduct a full inspection of the Contractors' books and records in accordance with the accepted practice of cost-plus contracts; to investigate the allegations of fraud and inefficiency; and to examine all other matters relative to the cost of the project of the Festival Gardens as may be necessary.

"To report thereon to the Chairman and Directors of the Company."

We commenced our investigation on Monday, 23rd April, 1951.

2. The outstanding factor in the position under investigation is that the Company, in March, 1950, accepted a tender from the main contractor which purported to include all sub-contractors and which amounted to £524,370, whereas on the basis of recent estimates prepared by the main contractor the total cost of the work, which has been performed under conditions which differed widely from those originally contemplated, may exceed £1,500,000, inclusive of an agreed sum of £57,500 provided for the overhead expenses and profit of the main contractor.

3. In the course of the conduct of the investigation to date we have had interviews with the following parties:—

Lt.-Gen. Sir Charles King, K.B.E., C.B.	Present Chairman of your Company.
Major H. L. Joseph	Present Managing Director of your Company.
Sir Henry French, G.B.E., K.C.B.	Former Chairman of your Company.
Mr. L. Crainford	Former Secretary and Managing Director of your Company.
Mr. F. A. Ricketts	Present Secretary of your Company.
Mr. Howard Lobb	Chairman of the Architectural Council of the Festival of Britain.
Mr. H. L. Dowsett	Managing Director, Director and Chief Accountant respectively of Dowsett Engineering Construction Ltd., the main Contractor.
Mr. L. F. Lane	
Mr. P. F. Reynolds	
Messrs. Harrison & Seel	Co-ordinating Architects on the contract.
Mr. G. W. Ball and Mr. C. F. Smith of Messrs. Ball & Partners.	Quantity Surveyors on the Contract.
Mr. K. G. Higgins	Technical Controller employed by the Company.

Each of these parties has afforded us every assistance and has supplied us with such information as we have required for the purpose of our investigation so far as it has progressed, including, in the case of Dowsett Engineering Construction Ltd., full access to all relevant books and records.

4. We have seen a copy of the interim report, dated 16th April, 1951, prepared by Mr. H. N. Butler, of Messrs. Moores, Carson & Watson, regarding the affairs of your Company and we have met Mr. Butler. To some extent our report must cover the same ground as that of Mr. Butler in order that it may be comprehensive and in view of the fact that we have also been required to consider and report upon the circumstances under which the terms of the contract with the principal contractor were varied.

Circumstances Relating to the Contract and its Subsequent Variation

5. The first active steps towards the placing of a contract for the construction of the Festival Gardens do not appear to have been taken until 2nd February, 1950, when a Committee of Directors and Festival Officials held a meeting. The co-ordinating Architects and Quantity Surveyors had not been formally appointed until 26th January, 1950, but we understand that they carried out certain work prior to that date. It was decided at this meeting that none of the larger building contractors, some of whom had already indicated that they did not wish to participate, should be invited to tender on the ground that the nature of the work was not such as would necessitate the employment of the type of contractor who usually undertook large scale building operations. It also seemed likely that a number of these firms would be fully occupied on the South Bank site and elsewhere. It was finally decided that tenders should be invited from the three firms whose names appear in paragraph 7 hereof.

6. The circumstances under which the tenders were sought were abnormal in that the Architects and the Quantity Surveyors had to produce, within three weeks of their appointment, a sketch plan and a Bill of Quantities based upon this plan, which inevitably represented to a large degree what can only be described as intelligent speculation regarding the quantity of work to be performed. It appears also that the Quantity Surveyors were instructed by your Company that the volume of work to be included in the Bill of Quantities should, when evaluated, together with the sum of £361,487 to be allowed for the charges of nominated sub-contractors, amount to a figure of between £500,000 and £550,000. Notwithstanding this limitation it was contemplated even at this time that the constructional costs would ultimately amount to about £800,000.

7. The Bill of Quantities prepared in accordance with the before-mentioned instructions was submitted to the firms invited to tender and the names of these firms and the tenders received were as under:—

Name	*Amount of Tender*			*Completion Period*
	£	s.	d.	
Lavender McMillan Ltd.	535,774	12	4	54 weeks
Kirk & Kirk Ltd.	525,491	0	0	52 weeks
Dowsett Engineering Construction Ltd.	524,370	0	0	54 weeks

It should be noted that, as these figures include the estimated provision for costs of nominated sub-contractors of £361,487, only a comparatively small proportion of the total tenders related to work to be performed by the contractors themselves or their own sub-contractors. In these circumstances, the comparatively close tenders submitted by the contractors and their proximity in amount to the Surveyors' estimate of cost of £525,000 may not be regarded as exceptional and the Board of the Company decided to accept the lowest tender, which was that of Dowsett Engineering Construction Ltd.

8. As explained in a later part of this report, the conditions under which the Contractor had to operate appear to have been materially different from those contemplated when the tender was submitted. A number of representations were made by the Contractor to the Architect in this connection and efforts were made to obtain a variation in the terms of the original contract. These efforts took the form of meetings between representatives of the Contractor and representatives of the Company, but we understand from Mr. Crainford, the former Managing Director, that although there were discussions with the Contractor throughout the summer and autumn months of 1950, no undertaking was given by him which, in his opinion, amounted to a variation in the terms of the contract. The Contractor was assured, however, that, as the Festival Gardens project was a national undertaking, he could rely upon receiving fair treatment in regard to any difficulties which had been encountered.

9. It is understood that a meeting took place on 8th November, 1950, at which there were present Mr. Crainford, Managing Director of the Company, Mr. Higgins, Technical Controller, Mr. G. W. Ball and Mr. C. F. Smith, both of Messrs. Ball & Partners, Mr. H. Lobb, Chairman of the Architectural Council, and Mr. M. P. O'Hara, General Manager of the Company. No representative of the contracting firm was present and it is believed that the initial object of the meeting was to enable Mr. Crainford to introduce Mr. Higgins, who had just been appointed Technical Controller by the Company, to the other parties present. No record of this meeting has been kept but it appears from our inquiries that the parties present agreed that special steps would have to be taken to speed up the progress of the work and that it would be necessary to meet any consequential increase in the costs of the Contractor. Mr. Ball suggested that in view of the Contractor's complaints as to delays to which he had been subjected it might be necessary to meet the situation by changing the terms of the contract to a " cost-plus " basis, but Mr. Lobb and Mr. Higgins are understood to have indicated that a contract in such terms would not be welcomed by the Festival Authority. It seems fair to conclude that during the discussions it became apparent that there was little alternative to a " cost-plus " basis and that Mr. Ball formed the impression it had been agreed that the terms of the contract were to be changed to provide for payment on that basis.

10. The next step appears to have been that Mr. Higgins drafted a letter for transmission to the Contractor, which was considered by the Finance and General Purposes Committee of the Board of the Company. The Committee amended the draft and ultimately Mr. Crainford wrote to the Contractor on 8th December, 1950, in the following terms:—

> " With further reference to the letters exchanged between this Company and yourselves on November 1st, my Board has now confirmed the payment to you of additional costs occasioned by:—
>
> (1) Difficulties outside your control in carrying out this contract; and
>
> (2) Approved action taken outside the provisions of the contract to accelerate the work.
>
> " My Board agree with you that the competent authority to decide and assess the necessary additions to the contract is the appointed firm of Quantity Surveyors, Messrs. Ball & Partners, and, as suggested in your letter, is prepared to leave the matter entirely in their hands to arrive at a fair settlement."

It does not appear to us that this letter puts the Company in a position of having undertaken any liability on a " cost-plus " basis. We understand from the Chairman of the Committee that he was not informed of what had transpired

at the meeting of the officials on 8th November and further, that, so far as he and the other Members of the Committee, with the possible exception of Mr. Crainford, were aware no other arrangements were in contemplation than those specified in the letter. Nevertheless it seems that both Mr. Ball and the Contractor, and possibly other parties regarded the letter as virtually changing the basis of the contract to that of " cost-plus " and as being confirmatory of this understanding which it seems had been verbally conveyed to the Contractor after the before-mentioned meeting.

11. It was not until the meeting of the Committee of the Board in March, 1951, at which Mr. Ball was in part time attendance, that it became apparent that different views existed in regard to the nature of the change in the terms of the contract and the interpretation accorded to the Company's letter of 8th December, 1950. The conclusion was apparently reached that, having regard to these misunderstandings and the general position as a whole, coupled with the importance of endeavouring to ensure that the work on the site was completed at the appointed date, there was no other course than to either change, or confirm that a change had been made in, the terms of the contract to a " cost-plus " basis. Accordingly, correspondence passed between the Architects and the Contractor which is set out in Appendix I and which materially modified the terms of the original contract. In this correspondence the Company, through its Architects, undertook in effect to reimburse the Contractor the total costs of the work approved and certified as necessary by its Architects and Surveyors, plus a fixed fee of £57,500 to cover all overheads and profit until completion of the contract.

Circumstances Affecting the Contractor

12. It appears from our conversations with the several parties we have interviewed that there have been a number of factors which have made an increase in the cost of the work performed over the amount of the original tender inevitable. These factors are:—

(*a*) The tender submitted by the contractor amounting to £524,370 was based upon a very approximate Bill of Quantities which materially differed from the work subsequently required to be undertaken. It follows, therefore, that the tender price of £524,370 cannot properly be compared with the estimated total cost based on the Contractor's estimate, as given in paragraph 2 hereof, of £1,500,000.

(*b*) Although the work to be performed under the contract was started by the Contractor on 1st April, 1950, progress was seriously delayed by the lack of drawings which, in turn, was caused by the fact that the Architects had not been granted sufficient time for their preparation in advance of the commencement of the work. As a consequence, progress during the vital summer months was slow, as is evidenced by the fact that the total value of the work done up to 30th September, 1950, was only, approximately, £90,000.

(*c*) The delay in the production of drawings and, consequently, in the preparation of exact Bills of Quantities, tended to prevent the Contractor from ordering materials in advance and obtaining the benefit of bulk supply terms or avoiding any subsequent rises in price.

(*d*) The whole of the site was not made available to the Contractor at the commencement of the work. Initially only nine acres appear to have been released, with a further sixteen acres at the beginning of June

and the remaining portion of twelve acres at the beginning of October. The Contractor maintains that in these circumstances it was impracticable for him to carry out certain types of work which essentially should have been undertaken in the summer months and heavy additional expenditure has been incurred by reason of this postponement.

(*e*) The lack of drawings and the delays in regard to the release of the site have caused the bulk of the work to be carried out during the winter months under abnormal weather conditions, which have not only delayed completion of the work but have materially increased its cost. As regards physical working conditions the Contractor asserts that the excavation work and the building of roads was rendered much more difficult and costly on account of the high " water table " of the land.

13. Although Clause 18 of the original contract, which is in standard form, provides that in certain circumstances the Contractor can ask for a postponement of the completion date, which was 31st March, 1951, it will readily be understood that, in the circumstances of this particular contract, no postponement was practicable and, consequently, the Contractor was forced to take special measures to endeavour to complete the work at the specified date. These measures included the employment of additional labour, the payment of special bonuses to workmen, the working of overtime and the employment of night gangs, none of which would normally be regarded as desirable if the work was to be carried out on an economic basis.

14. Other points made by the Contractor, about which we are unable to offer any comment but which we place on record, are:—

(*a*) The abnormal and rapid expansion of the work compelled the employment of inexperienced men in the capacity of gangers and the intake of unskilled casual labour without opportunity for proper selection.

(*b*) It was impossible to enforce discipline and output suffered owing to the Company's injunction that at all costs strikes must be avoided, particularly because of the possible repercussions on the labour force at the South Bank site.

Verification of Contractors' Costs

15. We have not, so far, had time or opportunity to commence the investigation of the costs of any contractors other than Dowsett Engineering Construction Ltd. and at present it is uncertain to what extent such investigations may be necessary since:—

(*a*) it appears that few of the nominated sub-contractors' contracts are on a " cost-plus " basis, although they may be subject to variation and final re-measurement; and

(*b*) the increase in the costs attributable to nominated sub-contractors is relatively small in relation to the total increase, the amount included in the original estimate being £361,487 and the amount estimated up to 30th April, 1951, being £552,500.

It may be necessary, however to examine the costs of those contractors appointed by Dowsett Engineering Construction Ltd.

16. The total number of sub-contractors nominated under the contract, as distinct from those appointed by the main Contractor, is over eighty but we attach as Appendix II a list of the twelve principal nominated sub-contractors with a note of the terms of their contracts.

17. The main Contractor has supplied us with a copy of his cost records up to the end of April, 1951. As the contract is still running, there can be no final check upon costs until the work has been completed and all outstanding charges in connection therewith have been agreed, which may not be for several months. To that extent, therefore, it is not now possible to express any final opinion regarding the Contractor's costs. In any event, the Contractor's records of his expenditure on materials and wages are not sufficiently detailed to provide information as to the separate costs of each section of the work, nor was this a requirement with which he was obliged to comply in the terms of either the original or the amended contract.

18. The Contractor's chargeable costs consist, in the main, of materials and wages and we attach, as Appendix III, a summary of his expenditure up to 30th April, 1951, (*a*) analysed under its main headings, and (*b*) shown month by month. A comparison between these figures and the Bill of Quantities supporting the tender is not practicable, however, as the latter document took the form of a Schedule of Prices for different classes of work.

We have carried out a test of the records of expenditure on materials and wages with the available evidence but in view of the vast amount of detail involved it has not been possible to cover more than a small proportion of the total period of the contract in the time available. Our comments regarded the examination of these costs are contained in the succeeding paragraphs.

Materials

19. The Contractor has kept adequate records regarding the amounts expended on each class of material and these records are supported by suppliers' invoices. Despite this, however, it is not possible from such records alone to decide whether material which has been purchased and paid for has also been properly used on the contract.

20. It is practicable, in the main, to confirm by reference to the Contractor's records maintained at the gates that materials purchased were delivered, but it is not practicable to verify their subsequent destination. This is a matter of some importance since, according to our information, the security arrangements in force were inadequate until the present system was inaugurated in April, 1951, and the Security Force was greatly increased. One particular weakness of the system arose from the circumstance that there were four gates by which vehicles could come and go and we are advised that, until recently, the system did not adequately provide against the unauthorised removal of goods by lorry through another gate from that at which they were brought in, on the pretext that the lorry was carrying a mixed load, part of which was intended for another site.

21. Other forms of abuse have also been alleged but there is no means at present available whereby we may compute the extent of these losses or even express an opinion as to whether or not they have been exaggerated. This must await the end of the contract when residual stores of all kinds have been realised and the Surveyors can make their final measurement. We are informed, however, that the Surveyors' measurement of value cannot be completed for several months but, at present, we have no reason to believe that the misappropriation of materials will constitute a major factor in accounting for the large increase in the cost of the contract.

Wages

22. The Contractor has kept fully detailed payrolls but considerable difficulty has been experienced in our attempts to verify these by means of test checks with subsidiary time records for individual employees. We do not propose to set out in detail the work which we have done and the difficulties which we have encountered on what has been a relatively small test, but the principal matters which call for comment are as follows:—

(*a*) It appears that, as a consequence of the rapid expansion of the work and of the numbers employed in the late autumn of 1950, the control by the Contractor of wages payments over a period was inadequate. We are satisfied that the Contractor took steps during the month of January, 1951, to rectify this position and that latterly it was under control.

(*b*) The subsidiary time records, consisting of clock cards, gangers' time books, etc., are not themselves reliable evidence of what has taken place and there are numerous discrepancies between them and the payroll regarding hours worked. An exhaustive check of one week during the period when control was inadequate showed that the maximum discrepancy in hours worked between the subsidiary records and the payroll for that week represented in terms of money approximately £500. A similar check of a later week when the Contractor had taken measures to restore the situation, showed that the state of the records had greatly improved.

The Contractor has carried out a detailed examination of his records and has reported that a comparatively small number of men were included in the weekly payrolls but were not in fact employed by him. We are at present engaged on an investigation of this matter but, from his report, it does not appear that the amount involved has exceeded £800 in all.

(*c*) The apparent irregularities shown by our tests constitute only a small proportion (less than 4 per cent.) of the total wages paid for the relevant period and, even so, it would not be correct to assume that this state of affairs existed throughout the period of the contract. It does not follow, however, that there may not have been other and more serious irregularities with regard to wages paid to men who were strictly entitled to appear on the Contractor's payroll but who did not do a full day's work for a full day's wages. It must be apparent that the only adequate means of estimating the amount of any such irregularities is, as in the case of materials, to relate the actual expenditure of the Contractor to the Surveyors' measurement of the completed work, after making due allowance for contingencies beyond the control of the Contractor. As we have already stated, it is understood that this information cannot be made available for several months.

Wage Rates and Material Prices

23. The total charge for wages shown on Appendix III represents payments in respect of :—

(*a*) Normal time (including increases in National wage rates during the period of the contract).

(*b*) Productive overtime (i.e., extra hours worked).

(*c*) Extra overtime (i.e., additional rates paid on overtime).

(*d*) Bonuses:— (i) A fixed bonus of 20 per cent. inaugurated by the Contractor on 15th May, 1950, as agreed with the Trade Unions.

(ii) The incentive bonus inaugurated by Festival Gardens Ltd. on 22nd January, 1951, after consultation with the Trade Unions, amounting in total to £9 5s. 0d. per employee.

(*e*) Extras payable under Trade Union working rule agreements comprising Boot Money, Tool Money, Travelling Allowances and Payments for Special Conditions of Work.

Apart from the two bonuses our test has shown that Trade Union rates were paid to craftsmen and labourers. It is understood that an analysis of wages is being prepared by the Surveyors.

The prices of materials purchased are being considered in conjunction with the Surveyors but they do not call for any comment at present.

Concluding Observations

24. The contract is not yet complete and neither the final cost figures nor the Surveyors' measurement are likely to be available for a period of several months. From the information at present available to us, however, we would suggest that the following conclusions are relevant:—

(*a*) No valid comparison can be drawn between the original tender price of £524,370 and the probable estimated total cost as given in paragraph 2 approximating to £1,500,000, as the extent of the work has been greatly increased, thus rendering direct comparison irrelevant."

(*b*) The authority for extensions and alterations in the work to be carried out was retained by the Company and was exercised through its Advisory Panel of Designers, headed by the Chief Designer, Mr. James Gardner. The responsibility for these increases must rest with the Company.

(*c*) The increase in costs attributable to uneconomic working by the Contractor is at least partially attributable to conditions beyond his control, which we have described in an earlier part of this report and which were created, primarily, by the fact that no extension of time for the completion of the contract could be granted. It also appears, however, that expense has been incurred by the Contractor arising out of an apparent lack of control and organisation at the time when the volume of work to be completed in a specified time was suddenly expanded by reason of earlier delays.

(*d*) The increase in the volume of work and, consequently, of costs is also partly attributable to a lack of success in obtaining sponsors for certain buildings which were not included in the original estimates but which, in the event, had to be erected by the Contractor as a charge on the Company.

(*e*) We have seen no evidence to suggest that the managements of any of the contracting firms or of the professional firms engaged on the contract have knowingly been parties to any irregularities which may have taken place at a lower level.

25. It is, in our opinion, impracticable to determine the precise extent to which the several causes cited above have contributed to the increase in costs which is the subject of enquiry. When the work is completed and has been

measured it will be possible to compare the Contractor's actual expenditure with the measured or assessed value. It will not necessarily follow that any differences revealed can fairly be attributed to failure on the part of one or more of the contractors and it will be necessary to attempt to estimate (1) the extent to which the increased costs were unavoidable by reason of the conditions encountered by the Contractor, and (2) the extent to which such increases might have been avoided by adequate control and management.

26. A complete investigation of costs upon the lines of the test which we have so far carried out must inevitably take a long time and, even upon its termination, it would probably be found that no conclusive evidence had been obtained regarding excessive expenditure.

27. We think it apparent from the foregoing survey that the fundamental cause of the inflation in the costs of the Festival Gardens project has been the initial delay, for which the Company and its management must accept responsibility even if it was unavoidable. The subsequent effort in unfavourable weather conditions to make good lost time has been productive of a material increase in costs, some part of which may be attributable to inadequate control. The extent of the loss arising from this latter cause will be difficult, if not impossible, of assessment, but we think it wrong to assume at this juncture that it will be a matter of major consequence.

Finally, it should be repeated that the extent of the increase in costs has tended to become exaggerated because a comparison has been made between the amount of the present outlay and that of the initial tender, a comparison which is quite invalid for the reasons already given.

Yours faithfully,

(Sgd.) PEAT, MARWICK, MITCHELL & CO.,

Chartered Accountants.

APPENDIX I

Correspondence regarding the Change in the Terms of the Contract

From: Messrs. Dowsett Engineering Construction Ltd., 7 Hobart Place, S.W.1.

To: Messrs. Harrison & Seel.

22nd March 1951.

Dear Sirs,

Festival Gardens

We are pleased to confirm our discussion with you and Mr. Seel at your offices this morning when Mr. Smith and Mr. Lloyd of Messrs. Ball & Partners were also present.

We understand that it is now firmly agreed that the contract for the above work has been changed from the original schedule basis to one on which we shall receive the nett cost to us for carrying out the work plus an agreed fixed fee for overheads and profit. It is, of course, already known to you that we have had previous discussions with Messrs. Ball & Partners on the amount of this fee and although we felt completely justified in asking for a larger sum than that now recommended by you and the Surveyors we are willing to accept the figure of £57,500 on the following specific understanding.

1. All costs of whatsoever nature incurred by us in the carrying out of this work and including monies paid out to sub-contractors, suppliers, etc. are to be reimbursed to us in full at such an amount as shall be jointly agreed with and certified by the Quantity Surveyors. These costs will, of course, include all wages, salaries and expenses of all staff directly employed on the Festival contract as distinct from our general overhead costs towards which a contribution is included in the total fee.

2. It is understood that the contract on this amended basis shall be taken as having been completed when all work for which we have received instructions prior to the opening date shall have been completed and that any work to be carried out for which orders are received on or after the opening date shall be dealt with under a separate arrangement. This will also include any work of a maintenance nature which we may be called upon to perform and which will be the subject of a separate letter.

3. Retention. We confirm that we have intimated to you that we are agreeable to a maximum retention of £40,000 under the terms and conditions of the original contract and that for this purpose the date of practical completion, on which half of the total retention will be released to us, shall be taken as the opening date of Festival Gardens.

With these points agreed we shall be pleased to receive from the Board of Festival Gardens Ltd. a formal letter confirming these matters at the earliest possible opportunity. As we explained to you our position has been somewhat invidious up to now in not having had written confirmation on these matters even though clearly understood between us by verbal agreement as applying for some months past with the exception of the amount of the fee; in this last connection we confirm our statement at the meeting this morning that the fee to which we have now agreed does not, by any means, fully cover our general overheads which are properly attributable to this contract and, therefore, the profit margin in the total sum is much less than the normal profit which we should properly have expected to receive after completing the much lesser value of work in the original schedule.

Yours faithfully,

(Signed) H. L. Dowsett.

From: The Managing Director, Festival Gardens Ltd., 5 Sidney Place, New Coventry Street, London, W.1.

To: Messrs. Harrison & Seel, 34 Holland Park Road, London, W.14.

March 23rd 1951.

Dear Sirs,

My Board considered at its Meeting yesterday the Contractors' position with regard to the construction work at the Festival Pleasure Gardens in Battersea Park.

On the advice of its professional advisers, the Board accepts the fact that the amount to be paid to the main Contractors, Messrs. Dowsett Engineering Construction Limited, will be the total cost approved and certified as necessary by yourselves on the valuation made by Messrs. Ball & Partners, the Quantity Surveyors, with the addition of a fixed sum of £57,500 (Fifty-seven Thousand Five Hundred Pounds) to cover all overheads and profit until completion and you are now authorised to issue certificates on this basis.

The amount of retention was also considered and the Board decided that this could be limited to the fixed sum of £40,000 (Forty Thousand Pounds).

A further subject was considered by the Board arising out of the letter received from Messrs. Ball & Partners dated the 13th instant in which they embodied representations from the Contractors to the effect that no claim should be made by this Company against them. We assume that the Contractors had in mind any claims arising out of the total approved sum to be paid to them and we consider that this point is fully covered by the authority given to you in the second paragraph of this letter.

I am also instructed to point out that this alteration in the terms of the Contract is confined to the question of cost and is not intended to confer any further authority to yourselves than that given in previous instructions or under the original Contract documents.

I would be glad if you would now communicate the Board's decision as expressed in this letter to the Contractors and send me a copy of your letter.

In view of the discussion which took place at this office on the 21st instant when the Quantity Surveyors, Messrs. Ball & Partners, were represented I think you will agree that it is desirable that that firm should have a copy of this letter to you. I am, therefore, enclosing a copy which I should be glad if you would send to them.

Yours faithfully,

(Signed) Leonard Crainford,

Managing Director.

ES / RW

From: Messrs. Harrison & Seel, 34 Holland Park Road, London, W.14.

To: Messrs. Dowsett Engineering Construction Ltd., 7 Hobart Place, Grosvenor Gardens, S.W.1.

For the attention of H. L. Dowsett Esq. Managing Director.

27th March 1951.

Dear Sirs,

Festival Gardens, Battersea

Further to our meeting with you on Thursday last and your letter of the same date confirming the terms of discussion, we are now authorised by the Board of Festival Gardens, in a letter to us of March 23rd, to inform you of the following decisions which they have made. These constitute a variation of the Contract in so far as the total sums to be paid under the Contract and the method of computing the proper cost are concerned.

The Board accepts the fact that the amount to be paid to you as the General Contractor will be the total cost approved and certified as necessary by ourselves on the valuation made by Messrs. Ball & Partners, the Quantity Surveyors, with the addition of a fixed sum of £57,500 (fifty seven thousand five hundred pounds) to cover all overheads and profit until completion of the Contract. The total cost referred to will, of course, be the nett cost to you exclusive of your general overhead costs, as approved by the Quantity Surveyors and as described in your letter of March 22nd 1951. We understand from your letter of March 22nd that you will regard the above fixed sum as including a contribution towards these general overhead costs.

The Board have also agreed to the limitation of the Retention Sum under Clause 24 of the Contract to a fixed sum of £40,000 (forty thousand pounds). For this purpose we suggest that the date of practical completion (when under clause 24 you will be entitled to a certificate for half of the Retention Sum) shall be defined as the opening date of Festival Gardens, with this qualification—that no work which may be ordered later than two weeks before that date and no work still to be ordered which at the time of ordering obviously could not be completed by that date shall be held to effect that date as the time of practical completion.

In other respects than those of the ascertainment of the proper costs to be met as outlined above, the contract still holds good. We trust that this new authority provides the assurances which you are seeking and we shall be glad to have your confirmation of acceptance.

Yours faithfully,

(Signed) Ernest Seel,

for Harrison & Seel.

From: H. L. Dowsett, Esq., Dowsett Engineering Construction Ltd., Tallington, Stamford, Lincs.

To: Messrs. Harrison & Seel, 34 Holland Park Road, London, W.14.

Ref: DEC/HLD/MT.

29th March 1951.

Dear Sirs,

Festival Gardens, Battersea

We thank you for your letter of the 27th March re the above which satisfactorily sets out the confirmation of the various matters discussed between us and we are, therefore, pleased to accept the arrangements described therein.

This acceptance is given on the understanding that all work for which we may receive instruction at any date later than fourteen days before the opening date shall be carried out in accordance with a separate contract or arrangement as set out in the enclosed letter, but that all work ordered prior to that date is to be carried out in accordance with the existing contract as modified by your letter of the 27th.

Yours faithfully,

DOWSETT ENGINEERING CONSTRUCTION LIMITED.

(Signed) H. L. Dowsett,
Managing Director.

APPENDIX II

List of Principal Nominated Sub-Contractors

Name of Sub-Contractor	Subject of Contract	Terms of Contract	Estimated Amount
			£
Barlow & Young ...	General Electrical Work	Based on a Schedule of Prices	76,000
Clark & Fenn Ltd. ...	General Painting Work	Based on a Schedule of Prices	36,000
Dejongs (Shand Kydd Ltd.)	Fibrous Plaster ...	Mainly at fixed prices	12,000
Drake & Gorham Ltd.	General Electrical Work	Based on a Schedule of Prices	85,000
John Edgington & Co. Ltd.	Tented Structures ...	Mainly at fixed prices	35,000
Hobart Paving Co. Ltd.	Tarmacadam Paving	Fixed price per yard	30,000
Packaged Buildings (Robert Building Inventions Ltd.)	Booths	Fixed price per booth	12,000
Piggott Brothers & Co. Ltd.	Marquees	Supply at fixed price per Marquee Erection on Time Basis	25,000
Security Scaffolds Ltd.	Steel Framework ...	Mainly at fixed prices	20,000
Strand Electric & Engineering Co. Ltd.	Lighting Equipment	Mainly at fixed prices	13,000
The Willard Engineering Co.	Steelwork	Mainly at fixed prices	36,000
William Wood ...	Horticultural Work	Based on a Schedule of Prices	32,000
			£412,000

APPENDIX III

Summary of Expenditure up to 30th April, 1951

(as shown by the Contractor's Books and Records)

(*a*) ANALYSIS OF EXPENDITURE

	£	£
MAIN CONTRACTOR		
Materials: Timber	40,988	
Cement	13,047	
Hardcore and Ashes	10,835	
Bricks	8,548	
Ballast	7,230	
Sand	6,935	
Pre-cast Concrete	6,243	
Drainage Goods	6,214	
Sanitary Fittings	4,486	
Re-inforcement	2,504	
Sundries	21,095	
	128,125	
Wages	387,805	
Salaries	26,337	
Plant Hire and Maintenance	30,265	
Haulage	22,984	
Contractor's Equipment and Protective Clothing ...	22,193	
Consumable Stores and Tools	3,292	
Fuel and Oil	2,891	
Coal and Coke, Electricity and Gas	1,904	
Rent, Rates and Insurance	6,253	
Travelling Expenses	2,208	
Canteen	1,385	
Stationery, Postages and Telephone	1,603	
Sundry Expenses	1,493	
NOMINATED SUPPLIERS	67,575	
BUILDER'S SUB-CONTRACTORS	163,207	
		869,520
NOMINATED SUB-CONTRACTORS (paid to date) ...		317,547
EXPENDITURE UP TO 30TH APRIL 1951		£1,187,067

(*b*) EXPENDITURE MONTH BY MONTH

	Monthly Total £	*Cumulative Total* £
1950		
April	2,117	2,117
May	8,045	10,162
June	9,968	20,130
July	8,882	29,012
August	25,020	54,032
September	35,515	89,547
October	35,903	125,450
November	54,511	179,961
December	88,376	268,337
1951		
January	135,209	403,546
February (including certain January expenditure) ...	249,401	652,947
March	223,294	876,241
April	310,826	1,187,067
	£1,187,067	

COMMENTS BY THE BOARD OF DIRECTORS ON THE REPORT BY MESSRS. PEAT, MARWICK, MITCHELL AND CO.

1. Apart from the section dealing with the Contractor's costs, on which we have no observations to offer, the report by Messrs. Peat, Marwick, Mitchell and Co. covers largely the same ground as that of Mr. Butler, and to this extent we have nothing to add to the statement we have already made in connection with Mr. Butler's report, except in regard to one or two specific points which are dealt with in the following paragraphs.

(*a*) Preparation of the original Bill of Quantities (paragraph 6 of the report)

2. The report comments that the circumstances in which the tenders were sought were abnormal in that the Architects and the Quantity Surveyors had to produce within three weeks of their appointment, a sketch plan and a Bill of Quantities based on it which could only be described as intelligent guesswork regarding the quantity of work to be performed. So far as we are aware, however, there is nothing to support the view that three weeks was regarded by the Quantity Surveyors as unreasonably short a time for the preparation of the Bill of Quantities.

3. The report goes on to state that the Quantity Surveyors were instructed that the volume of work to be included in the Bill of Quantities should, when evaluated together with a sum of £361,487 for nominated sub-contractors, be between £500,000 and £550,000 but that it was contemplated even at this stage that the constructional costs would ultimately amount to about £800,000. At this stage, however, such an eventuality was certainly not contemplated by the Board, who assumed as they were entitled to do, first, that the Bill of Quantities was based on a reasonably accurate assessment of the amount of site and constructional work to be performed and, secondly, (as pointed out in paragraph 11 of our statement on Mr. Butler's report) that the tender of the Dowsett Engineering Company for the sum of £524,370 to cover site and construction work was based upon a full understanding of the quantities.

(*b*) Control over extensions of the work (paragraph 24(b) of the report)

4. The report states that " the authority for extensions and alterations in the work to be carried out was retained by the Company and was exercised through the Advisory Panel of Designers headed by the Chief Designer, Mr. James Gardner ". In connection with the second part of this sentence, we must point out that the duties of directing the preparation of designs and of commissioning, accepting or rejecting designs were entrusted by the Board to the Presentation Committee, set up in January, 1950, and consisting of Mr. Gerald Barry (chairman), Mr. Cecil Cooke, and Mr. Gardner, This Committee had no authority to, and did not, commit the Board on expenditure.

(*c*) Dates of occupation of the various parts of the site (paragraph 12(d) of the report)

5. The report refers to the fact that the whole of the site was not made available to the Contractor at the commencement of the work. We have already expressed the view (in paragraph 2 of our comments on Mr. Butler's report) that given the delay in approving the general lay-out and location of the buildings, it was not practicable to proceed with the fundamental work of laying mains, services, etc., so the fact that the site became available to the Contractor in sections should not, of itself, have resulted in any material hold-up in operations.

6. We accepted the position from the beginning that, as work on the site could not begin at all points at once, the take-over should be phased so as not to interfere with public use of the site before it was really necessary, and this was known to the Contractor. In the event, sites totalling 21 acres were handed over on 1st April, 1950 (not 9 acres, as stated in both reports), followed by a further 3 acres at the end of May; a further 5 acres were taken over on 1st August; and the remaining (river front) area, of 8 acres, was enclosed on 1st October, 1950.

7. The London County Council co-operated most readily in making areas available when required, and had the case been made to our satisfaction for further advancing the handing-over dates, we have no doubt that the approaches we would have made to the Council would have been most sympathetically received. The case was not so made, and we still consider that this factor should not have had any material effect on the progress of operations.

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