

Report To:	STRATEGIC PLANNING AND CAPITAL MONITORING PANEL
Date:	3 September 2018
Reporting Officer:	David Moore, Director of Growth
Subject:	VISION TAMESIDE PHASE 2 – PROGRESS UPDATE
Report Summary:	This report provides a progress update on works to complete the Vision Tameside Phase 2 development.
Recommendations:	That the Panel notes and comments on the contents of the report.
Links to Community Strategy:	The proposals contained in this report will support the delivery of the community strategy.
Policy Implications:	In line with approved policy.
Financial Implications: (Authorised by the section 151 Officer)	<p>The final approved budget for this project is now £62.731m. However there are several costs as outlined below that still need to be finalised to ensure that they can be contained within this budget;</p> <ul style="list-style-type: none"> • The final cost to complete from Robertson’s need to be received; • The cost of recant and associated building works (ensuring that all staff are accommodated in suitable accommodation); • Any insurance provision that is required. <p>It is imperative that these are finalised as soon as possible .</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>The key purpose of the report is to provide an update on progress.</p> <p>The early works agreement between the LEP and Robertson’s enabled due diligence to be carried out and remobilisation on site to continue works. The early works analysis is fundamental to the insurance contingency of £1.1m and how this will be used to ensure any contingent building risks are managed into the future as Carillion’s demise affects the latent building defect warranties provided by them, which will now have little or no value. Clearly, the effect of having not agreed additional capital and a way forward would be to create additional cost and risk to the Council as well as failing to achieve the economic outcomes this project seeks to achieve for taxpayers. That said the revised capital requirement for this project requires the whole capital programme to be reviewed to ensure it remains affordable and the legal obligation to achieve a balanced budget as that is currently underway.</p> <p>An early works order is mainly an issue for the LEP. The master contract is between the Council and the LEP. It is the LEP who contracted Carillion. The LEP have replaced Carillion but the LEP has no option but to require a new contractor to comply with the terms of the master contract, unless the Council agrees to vary the master contract to accommodate requests from a new building contractor. Contract changes are expected to only reflect minor changes of revised costs and programme delivery using insurance</p>

to manage any contingent risks.

Contract arrangements need to be finalised with both Cushman & Wakefield , the LEP and Saffer Cooper as a matter of expediency. The early works was to enable effectively remobilisation pending completion of a due diligence exercise, which hasn't completed. Para 3.3 is an additional arrangement in addition to contractual requirements and do not waive any rights or obligations under the contract.

At present we are waiting for a programme to enable the Council to enter into contract. It is accepted that the dates will not be set in stone until the contract is entered into, but to date there is no formal indicative programme.

Clarity will need to be provided going forward in respect of Public Realm and Recant costs, accepting that the Public Realm costs were always outside this project's financial envelope. Once the contract is resolved and the building programme back on track, it will be necessary to address the recant plan expediently to ensure service delivery, and estate costs for service delivery going forward.

A further report on the operation of the whole administrative estate will need to be presented to Executive Cabinet outlining the recant strategy and costs of the same.

Risk Management:

Risk management is addressed within the body of the report.

Access to Information:

The background papers can be obtained from the author of the report, Ade Alao, Head of Investment and Development, by:



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1. INTRODUCTION

- 1.1 Vision Tameside Phase 2 (VTP2) creates a new Shared Service Centre for the Council and its partners alongside a new Advanced Skills Centre for Tameside College and retail space in Ashton town centre.
- 1.2 Following the liquidation of Carillion on 15 January 2018, the Council moved swiftly to implement measures required to secure the site, appoint an alternative contractor, remobilise the project and approve a package of works to complete the development.
- 1.3 This report presents a further progress update since the last report to the Panel on 9 July 2018.

2. PROGRESS UPDATE

- 2.1 The LEP signed an Early Works Agreement with Robertson Construction Group Limited on 13 February 2018, initially for an 8-week period, which was due to terminate on 13 April 2018. The LEP subsequently advised the Council that it had signed further variations to extend the Early Works Agreement until 2 July 2018 and more recently until 30 September 2018.
- 2.2 A process was established whereby Cushman & Wakefield, the Council's Independent Client Advisers, carried out an independent review of each individual sub-contractor work package submitted by the LEP and made recommendations to the Council before approval. The Council has approved 29 sub-contractor work packages to date with just one outstanding associated with the Waterboard Building Façade.
- 2.3 The site was remobilised with the full complement of the site team in place and all health and safety arrangements, including plans, signage and audits completed. There is now an average of 130 operatives on site daily and this is anticipated to increase by up to 25 in the next few weeks to an optimum level.
- 2.4 Good progress is generally being made on the project with approximately 35% of the Robertson works now completed. Roofing and façade works are almost complete. The works currently being undertaken include mechanical and electrical installations, installation of fitted furniture and equipment, brickwork, some external works and installation of ceilings and partitions. Finishing trades are due to commence soon.
- 2.5 Four payment applications have been submitted by the LEP to date and paid by the Council following valuation, certification and recommendation by Cushman and Wakefield. A fifth has recently been submitted and is currently being reviewed.
- 2.6 6 apprentices are currently engaged on the project including 2 on joinery, 3 on mechanical and electrical and 1 on brickwork.

3. FINANCIAL IMPLICATIONS

- 3.1 Table 1 below, sets out the projected cost to complete position, which was included in the report to the Council Executive Cabinet on 20 June 2018. Approval of the additional funding of £9.4 million to enable the project to be completed was agreed.

Budget Heading	Approved Budget	Latest Invoiced Cost Position 20/4/18	Remaining budget	Additional Cost to Complete plus Other Programme Costs	Total Projected Costs	Variance under spend/ over spend
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Construction Contract	38,425	32,006	6,419	-	32,006	-6,419
Construction Agreed Change Orders	500	230	270	270	500	-
Robertson Cost to Complete	-	11	-11	13,509	(c) 13,520	13,520
Additional LEP Costs to Complete	-	-	-	640	(d) 640	640
Total Construction Cost	(a) 38,925	(b) 32,247	6,678	14,419	46,666	(e) 7,741
Demolition	3,298	3,249	49	(f) 75	3,324	26
Total Construction and Demolition Costs	42,223	35,496	6,727	14,494	49,990	7,767
Project Costs Outside of LEP Contract	10,581	5,424	5,157	5,929	11,354	(g) 772
Project Costs Before TMBC Contingency	52,804	40,920	11,884	20,423	61,344	8,539
Project Contingency and Insurance	587	-	(h) 587	1,387	1,387	(i) 800
Total Project Costs	53,392	40,921	12,471	21,810	62,731	9,339

3.2 The approved funding includes provisional sums, contingencies, risks and insurance allowances to mitigate the risk of further funding requirements.

3.3 A process is being established whereby the LEP and Robertson issue Early Warning Notices (EWNs) where any issues are identified that might have cost programme implications. The EWNs are then independently reviewed by Cushman and Wakefield before making a recommendation to the Council. This process is critical in ensuring that the project is delivered within the Council's approved funding and programme envelope.

4. EXTERNAL FUNDING

4.1 The Council received a formal funding agreement from the Greater Manchester Combined Authority (GMCA), dated 13 September 2016, for £4,060,000 Skills Capital funding.

4.2 The Council has now claimed £4,000,000 towards the construction costs and will continue to submit quarterly claims to the GMCA until the project is complete. These quarterly claims will claim the fees of the GMCA's independent Project Monitor.

- 4.3 The last Skills Capital monitoring visit took place on 2 July 2018. The Independent Monitor included the following comments in their report to the GMCA: “overall we feel that the Council has taken a very responsible and measured approach to manage what could be a potentially disastrous situation for a major public project”.

5. CONTRACT AND PROGRAMME

- 5.1 The main construction programme is currently projected to complete before the end of 2018. However, the programme remains provisional until the completion of formal contracts.
- 5.2 Good progress is reported on the contract negotiations, but it is understood that there are still a small number of commercial points that remain outstanding.
- 5.3 A 2/3-week demobilisation period will be required following practical completion of the building, to allow for dismantling the site compound, making good of the external areas and completing works to provide safe temporary access and servicing to the building.
- 5.4 A phased recant period will commence following demobilisation for a period of up to 12 weeks and will be coordinated with the Council, the College, Wilkinson’s and other occupiers within the Council’s demise.
- 5.5 Work to commence the phased delivery of permanent public realm works around the building will start once the phased recant has been completed.
- 5.6 A further update on the programme will be provided to the next meeting of the Panel.

6. PROJECT GOVERNANCE

- 6.1 The Vision Tameside Project Board continues to meet on a six-weekly basis and is chaired by the Deputy Executive Leader. The role of the Project Board is to keep the project on course by providing oversight and direction within the overall approval by the Council although it provides no governance or decision making which remains that of Cabinet.
- 6.2 The Project Team for the wider Vision Tameside programme has been re-established and chaired by the Director of Growth, meeting on a fortnightly basis. It plans and reviews progress against key elements of the programme such as recant, ICT, public realm, FM and the working differently agenda, and reports to the Project Board.
- 6.3 Cushman & Wakefield are retained as Independent Client Advisers to provide independent assurance to the Council, Value for Money advice and to act as project monitor until project completion. Sean Stafford of Saffer Cooper continues to support the Council on the project in a Critical Friend role. Both contracts and Duty of Care agreements in relation to both these arrangements are in the process of being resolved.

7. RISK ASSESSMENT

- 7.1 The primary high-level risks, impacts, and mitigation to the project are set out in the table below:

Risk	Impact	Mitigation
Financial	Inability to complete the project	• Prudent allowance for

	within the approved funding.	contingency <ul style="list-style-type: none"> • Robust Early Warning and Change Control processes
Programme	Delay to programme	<ul style="list-style-type: none"> • Robust Early Warning and Change Control processes • Timely contract completion
Community and Stakeholder	Reputational damage with the local community and stakeholders.	<ul style="list-style-type: none"> • Implementation of project communication plan
Economic	Non-realisation of the anticipated economic benefits from the project.	<ul style="list-style-type: none"> • Completion of the project will safeguard that the benefits are realised
Education	Major disruption to Tameside College's operations for the 2018/19 academic year.	<ul style="list-style-type: none"> • Contingency planning with Tameside College to minimise disruption

8. CONCLUSION

- 8.1 The Council has moved swiftly to implement measures required to secure the site, appoint an alternative contractor, remobilise the project and approve a package of works to complete the development. VTP2 is amongst the first public sector projects of this scale affected by Carillion's liquidation to be back on site on the route to completion. Many similar projects remain stalled with increasing costs and delivery uncertainty.
- 8.2 It is critical that contract completion for a number of contracts and consultants relating to this project are achieved as soon as possible to mitigate cost and programme risks to the project.

9. RECOMMENDATIONS

- 9.1 As set out at the front of this report.