

**Report to:** STRATEGIC PLANNING AND CAPITAL MONITORING PANEL

**Date:** 26 November 2018

**Reporting Officer:** David Moore, Interim Director of Growth

**Subject:** VISION TAMESIDE PHASE 2 – PROGRESS UPDATE

**Report Summary:** This report provides a further update on the completion of the Vision Tameside Phase 2 development, with a focus on costs and programme.

**Recommendations:** That the Panel considers the content of the report and recommends to Executive Cabinet to:

- a) Note the progress being made to complete the Vision Tameside Phase 2 development
- b) Approve the virements and the revised budget set out in Table 1 in Section 3 of this report.

**Policy Implications:** In line with approved policy

**Financial Implications:**  
(Authorised by the  
statutory Section 151  
Officer & Chief Finance  
Officer)

Following the liquidation of Carillion a revised budget was agreed at Executive Cabinet in June 2018 for the overall Vision Tameside project of £62.792m, including contingencies. The cost to complete the construction of the new building at this time was estimated to be £13.52m, but is now forecast to be £14.3m, an increase of £0.82m. These costs have been independently certified and verified by Cushman and Wakefield.

The costs of relocation, which are to be met from the contingency budget within the programme are now estimated at £0.905m.

Approval of the virements between lines with the programme budget and the revised budget detailed in table 1 is required.

The current implications for the programme spend are still within the budget envelope, but until the contract is signed the risks and subsequent costs that will need to be managed going forward are unknown. There is a possibility that the LEP will have to insure the project, however, at this stage it is estimated that there will be sufficient funding for this within the existing available budget.

The detailed financial implications for the whole programme are considered in section 3

**Legal Implications:**  
(Authorised by  
Borough Solicitor)

the The key purpose of the report is to provide an update on progress.

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.



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 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:** Public
- Background Information:** The background papers can be obtained from the author of the report, David Moore, Interim Director of Growth, by:
-  Telephone: 0161 342 3340
  -  e-mail: david.moore@tameside.gov.uk

## **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 3 September 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 31 October 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 31 sub-contractor work packages to date.
- 2.3 The site is fully remobilised and there is a fully resourced and experienced project team in place. All health and safety arrangements, including plans, signage and audits have been completed.
- 2.4 Works are advancing at pace with an average of 171 operatives on site each day. This number peaked to 200 during October.
- 2.5 The works currently being undertaken include snagging, internal joinery, riser works and completion of the hard landscaping on the terrace. Finishing trades have commenced on Levels 2, 3 and 4 and furniture in some areas of the building is now being installed.
- 2.6 Seven payment applications have been submitted to date, by the LEP, and paid by the Council following valuation, certification and endorsement by Cushman and Wakefield. The eighth application has recently been submitted and is currently being reviewed.
- 2.7 Six apprentices remain engaged on the project with one bricklayer apprentice being given the opportunity to increase his skills by assisting the Robertson management team full time.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 Following the liquidation of Carillion a revised funding envelope was agreed at Executive Cabinet in June 2018 for the overall Vision Tameside project. The revised budget approved was £62.792m, including remaining construction, original public realm and contingencies.
- 3.2 Table 1 below provides details of the current budget position for the VTP2 programme.

3.3 A summary of the key headlines are:

- a) £48.6m of project costs have been incurred to date.
- b) As the programme and requirements of the construction project are finalised the Robertson cost to complete has been refined and increased to £14.3m. This includes a number of contingencies which depend on the risk of the sub-contract package. This increase from the original estimate is £0.82m. These costs have been independently certified and verified by Cushman and Wakefield, and are due to the full designs being incomplete when Carillion entered liquidation, meaning that additional unbudgeted works have been required, that would have ordinarily been picked up with the design and build contract.
- c) Costs included within the approved budget for change orders are no longer required as they are now incorporated into the cost to complete from Robertson. This results in a reduction of £0.27m.
- d) There continues to be some elements that require change for which a provisional sum of £0.35m in relation to the Robertson contract is included together with £0.22m of costs incurred with the LEP. The net change is a reduction of £0.07m.
- e) This results in an overall shortfall against the construction element of the budget of £0.48m.
- f) Demolition costs have mostly been incurred but a provisional sum of £0.075m continues to be included for the final tidy up.
- g) The costs of relocation, which were always intended to be funded from the overall funding envelope and met from the contingency budgets, are significantly higher than originally anticipated and are now estimated at £0.905m.
- h) Amendments to funding have also been identified of £0.12m. This increases the overall budget to £62.912m.
- i) Within the budgets there remains a provision of £0.550m for the potential loss of profits for Wilkos during the relocation period.
- j) Budget provision for risk insurance, if required will need to be met from the remaining contingency.
- k) As a result of the above changes the project contingency remains at £0.433m.
- l) The majority of the construction costs have now been confirmed and there is a high degree of certainty that no further significant costs will be identified.
- m) The required budget virements as outlined in Table 1 need to be approved to enable the budget to be effectively managed.

**Table 1**

Budget Heading	Revised Budget as per June 2018 Cabinet Report	Latest Invoiced Cost Position 09/11/18	Remaining Budget	Projected Outturn 09/11/18	Total Variation from Budget and Required Virements
	(£000)	(£000)	(£000)	(£000)	(£000)
Total Construction Contract Costs	32,006	32,006	0	32,006	0
<b>Subtotal Construction (ex change orders)</b>	<b>32,006</b>	<b>32,006</b>	<b>0</b>	<b>32,006</b>	<b>0</b>
Approved Change Orders To Date Council	214	117	97	117	(97)
Approved change orders College	200	108	91	108	(91)
Approved Change orders DWP	86	5	82	5	(82)
<b>Change Orders Subtotal</b>	<b>500</b>	<b>230</b>	<b>270</b>	<b>230</b>	<b>(270)</b>
Anticipated Robertsons Cost to	13,520	7,575	5,944	14,340	820

Complete as reported 13/04/2018					
Provisional sums	500	0	500	350	(150)
Project Management Fees - HF as per LEP report 13/04/2018	76	33	43	130	54
LEP Fee following Carillion	64	0	64	90	26
<b>Total Other Costs to Complete</b>	<b>640</b>	<b>33</b>	<b>607</b>	<b>570</b>	<b>(70)</b>
<b>Subtotal Additional Construction Costs</b>	<b>14,159</b>	<b>7,608</b>	<b>6,551</b>	<b>14,910</b>	<b>751</b>
<b>Total Construction Costs</b>	<b>46,666</b>	<b>39,844</b>	<b>6,821</b>	<b>47,146</b>	<b>481</b>
Demolition	2,569	2,569	0	2,569	0
Additional Asbestos Costs (included in total demolition contract cost)	680	680	0	680	0
Additional Demolition costs	75	0	75	75	0
<b>Subtotal Demolition</b>	<b>3,324</b>	<b>3,249</b>	<b>75</b>	<b>3,324</b>	<b>0</b>
<b>Total Demolition / Construction Costs</b>	<b>49,990</b>	<b>43,094</b>	<b>6,896</b>	<b>50,471</b>	<b>481</b>
<b>Council Costs Outside of LEP Contract</b>					
2014/2015 Ryder Invoices	24	24	0	24	0
Public Realm within site - areas 1 and 3 only	222	0	222	222	0
Public Realm within site - area 2	107	0	107	107	0
Independent Certifier - C&W	128	40	88	128	0
Library Café - fit out costs	15	0	15	15	0
Decant / Recant / condition works	2,797	2,797	0	2,797	0
Co-op bank termination of lease	95	95	0	95	0
Programme Management	239	155	84	239	0
Fit out costs of temporary store re Early Lease termination – Wilkos	833	833	0	833	0
Fit out costs - Early Wilko's Lease Termination	860	0	860	860	0
Public Realm Works	2,631	355	2,276	2,631	0
Document Scanning	250	92	158	250	0
Potential Loss of profits Wilko's	550	0	550	550	0
Recant cost	0	9	(9)	905	905
Other miscellaneous costs	31	10	21	31	0
Legal Costs	127	115	12	127	0
IT Enablement	2,194	1,019	1,176	2,194	0
<b>Total Costs Outside LEP Contract</b>	<b>11,104</b>	<b>5,544</b>	<b>5,560</b>	<b>12,008</b>	<b>905</b>
<b>Project Costs Before TMBC Contingency</b>	<b>61,093</b>	<b>48,637</b>	<b>12,456</b>	<b>62,479</b>	<b>1,386</b>
Programme Contingency	599	0	599	433	(166)
Insurance of Project (Optional)	1,100		1,100	0	(1,100)
<b>Total Risk and Contingency Costs</b>	<b>1,699</b>	<b>0</b>	<b>1,699</b>	<b>433</b>	<b>(1,266)</b>
Additional Budget approved July 2018	0		0		
<b>Total Budget</b>	<b>62,792</b>	<b>48,637</b>	<b>14,155</b>	<b>62,912</b>	<b>120</b>

<b>Funding</b>					
SFA grant	(4,000)	(4,000)	0	(4,000)	0
Cost paid by partners for furniture (DWP & CCG)	(432)		(432)	(432)	0

Corporate Council Funding capital	-	(57,524)	(44,612)	(12,911)	(57,524)	0
Corporate Council Funding revenue	-	(550)		(550)	(550)	0
College Funding for Change Orders		(200)	0	(200)	(200)	0
Insurance Monies					(160)	(160)
DWP funding for change orders		(86)	(25)	(61)	(46)	40
<b>Total Funding Available</b>		<b>(62,792)</b>	<b>(48,637)</b>	<b>(14,155)</b>	<b>(62,912)</b>	<b>(120)</b>
<b>(Under) / Overspend</b>		<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>0</b>

3.4 The remaining contingency will need to cover the cost of any risks and insurance that will need to be taken out to mitigate the risk of further funding requirements.

#### 4. EXTERNAL FUNDING

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

4.2 GMCA issued a Deed of Variation on the 3 October 2018 to amend the longstop date, to the 31 March 2019, under the original grant agreement. This document is currently being reviewed by Legal Services.

4.3 The Council has now claimed £4,000,000 towards the construction costs and will continue to submit quarterly claims and monitoring reports to the GMCA until the project is complete.

4.4 The last Skills Capital monitoring visit took place on 5 November 2018. No significant issues were raised during this visit other than the GMCA's Independent Monitors have stated that they believe the current construction programme is overly optimistic. This information has been fed back to the LEP and Robertson and regular detailed reviews continue to be undertaken to mitigate the risk of delay.

#### 5. CONTRACT AND PROGRAMME

5.1 Robertson and the LEP are reviewing the construction programme on a weekly basis. The latest programme indicates a completion date of the 11 January 2019. However, the programme remains provisional until the completion of formal contracts.

5.2 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.

5.3 A phased re-occupation period will commence following demobilization and partners are fully involved in the development of the re-occupation plan. More detailed information regarding these plans will be the subject of a future report.

5.4 Work to commence on the phased delivery of permanent public realm works, adjacent to the building, will start following completion of the construction programme.

5.5 It should be noted that not all the permanent public realm will be complete when the building opens for business. This is due to the need to ensure that priority is given to the completion of the construction programme and the need to maintain pedestrian and vehicular access and safety around the town centre.

5.6 Priority will however be given to ensuring the new Shared Service Centre is fully accessible, to members of the public, once open and works will be programmed to minimise disruption in the town centre.

## 6. RISK ASSESSMENT

6.1 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 within the approved funding envelope.	Prudent allowance for contingency Robust Early Warning and Change Control processes implemented Costs reviewed and challenged by Independent Client Advisers
Programme	Delay to programme	Timely contract completion Robust Early Warning and Change Control processes Weekly programme reviews undertaken Programme regularly analysed and challenged by Independent Client Advisers
Community and Stakeholder	Reputational damage with the local community and stakeholders.	Implementation of project communication plan Release of communication tightly controlled
Economic	Non-realisation of the anticipated economic benefits from the project.	Completion of the project will safeguard benefits
Education	Major disruption to Tameside College's operations for the 2018/19 academic year.	Contingency planning with Tameside College to minimise disruption

## • 7. CONCLUSION

7.1 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.

7.2 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.

7.3 It is critical that contract completion is achieved as soon as possible to mitigate cost and programme risks.

## **8. RECOMMENDATIONS**

8.1 As set out at the front of this report.