

<b>Report To:</b>	<b>STRATEGIC PLANNING AND CAPITAL MONITORING PANEL</b>
<b>Date :</b>	11 July 2016
<b>Executive Member/ Reporting Officers:</b>	Councillor Jim Fitzpatrick - First Deputy (Finance and Performance) Damien Bourke - Assistant Executive Director (Development, Growth and Investment)
<b>Subject:</b>	<b>VISION TAMESIDE PHASE 2 PROGRESS UPDATE</b>
<b>Report Summary:</b>	This report provides a further update on project development, costs, delivery timescales and risks associated with the Vision Tameside Programme.
<b>Recommendations:</b>	<p>That the Panel notes the report and in particular the progress being made:</p> <ol style="list-style-type: none"> <li>1. with the delivery of the Vision Tameside Phase 2 scheme.</li> <li>2. to maximise the opportunities for local employment, apprenticeships, work placements and local supply chains.</li> <li>3. with the development of the Ashton Town Centre public realm project.</li> <li>4. with the development of a vision and business plan for the future use of Ashton Town Hall.</li> <li>5. to develop a Recant Strategy for the new building, which will also help inform the Council Estate Strategy for the disposal and retention of properties within its portfolio.</li> <li>6. Any variations to the project with cost consequences will be advised to the Panel together with an explanation as to the reason for the change and where the costs will be met from within the costing envelope.</li> </ol>
<b>Links to Community Strategy:</b>	Prosperous Tameside
<b>Policy Implications</b>	In line with approved policy
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	<p>The overall costs of the Vision Tameside programme must be contained within the overall net budget of £48,673,794, which was approved in February 2015.</p> <p>Sufficient contingency provisions were made for construction and overall programme related cost pressures as part of this budget allocation.</p> <p>The construction programme has now progressed to Stage 2 and firmer costs have been determined. This is based on a contract award by the end of June 2016. There are however still a small number of risks relating to ground conditions, and the Ashton Town Hall façade and there is a construction contingency of £250,000 to cover any costs related to these.</p> <p>A key cost risk to the programme is not achieving contract award, as this will impact on the amount of inflation underwritten and also revenue budget impacts due to loss of rent from the new tenants and</p>

the potential need to extend the rental of some of the decant properties. As anticipated, there have been a number of variations to costs originally projected that now require approval if the programme is to progress.

The current approved budget, projected expenditure at this stage and virement required is shown in the table below:

<b>Budget Heading</b>	<b>Approved Budget December 2015 (£)</b>	<b>Projected Budget June 2016 (£)</b>	<b>Requested Virements at June 2016</b>
Total Demolition / Construction costs (including revised commercial offer and inflation contingency)	38,989,083	38,693,279	-295,804
TMBC Furniture Budget	1,500,000	1,500,000	0
Approved Change Orders To Date	0	1,616	1,616
Additional Asbestos Costs (now included in total demolition / construction cost)	706,997	680,000	-26,997
<b>Total Demolition / Construction Costs</b>	<b>41,196,080</b>	<b>40,874,895</b>	<b>-321,185</b>
Less SFA grant	-4,000,000	-4,000,000	0
Cost paid by partners for furniture	-287,000	-432,000	-145,000
TMBC Construction Contingency (for dark ground)	250,000	250,000	0
<b>Net Construction Costs</b>	<b>37,159,080</b>	<b>36,692,895</b>	<b>-466,185</b>
Decant / condition works	2,764,452	2,764,452	0
Co-op bank termination of lease	100,000	95,408	-4,592
Programme Management	100,000	100,000	0
Fit out costs of temporary store re Early Lease termination – Wilkos	832,978	832,978	0
College Fixed Furniture and Equipment	300,000	850,000	550,000
Fit Out Costs - Early Wilko's Lease Termination	859,900	859,900	0
Public Realm Works	2,631,000	2,631,000	0
Document Scanning	250,000	250,000	0
Potential Loss of profits Wilko's	550,000	550,000	0
Legal Costs of Construction Works	50,000	50,000	0
IT Enablement	2,194,000	2,194,000	0
Programme Contingency	882,384	803,161	-79,223
<b>Total</b>	<b>48,673,794</b>	<b>48,673,794</b>	<b>0</b>

Any additional costs that arise will need to be delivered from the

remaining overall contingency to ensure that the project remains within the overall approved budget.

Following the virement the overall contingency that remains has again been reduced to £803k this is not a large amount considering the size of the project and therefore costs needs to be closely monitored.

It is important that regular monitoring of all expenditure budgets, value for money and inflation projections are maintained throughout the programme. It is also important that the agreement for lease and lease with the college, CCG and JCP are completed as soon as possible so that the capital and revenue implications of the programme can be confirmed.

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

There needs to be some strong project management and the continued operation of a Project Board is key to assisting in the management of deadlines and future milestones going forward.

Formal completion of the Building Contract; and the negotiation and then entering into of legal agreements with Tameside College, CCG and JCP are now high priority to enable the project to move forward expediently. Whilst we remain within the financial envelope bottom line we need to ensure that we are not vire-ing budget heads which create difficulties. Importantly we need to ensure we do not change the risk transfer, such that the price is the same but we no longer have an all risks project, which could mean unknown costs arising at a later date.

The risks around the SFA Grant of £4,060,000 from the Greater Manchester Combined Authority are set out in the report. The Council must now ensure that it closely monitors and adheres strictly to the obligations set out in the Grant Funding Agreement attached at Appendix 1. Key to this will be ensuring that the College signs up to an agreement for lease at the earliest opportunity.

**Risk Management:**

The key risks, impact and mitigation proposed are included in the report at Section 6.

**Access To Information:**

The background papers relating to this report can be inspected by contacting the report author, Damien Bourke on:



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## **1. INTRODUCTION**

- 1.1 The purpose of this report is to provide a further update on project development, costs, delivery timescales and risks associated with the Vision Tameside Programme.

## **2. VISION TAMESIDE PHASE 2 - PROGRESS UPDATE**

- 2.1 A detailed update on the physical progress made to date was provided at the last Strategic Planning and Capital Monitoring Panel on the 14 March 2016.

- 2.2 Since that time, substantial progress has been made with key elements of the Programme, as set out below.

### **Asbestos Removal**

- 2.3 Negotiations on liability for the removal of asbestos have now been satisfactorily completed. Details of the financial implications for the Council are set out in section 5.2 of this report.

- 2.4 An asbestos workshop held involving demolition experts from the Council and Carillion. The purpose of this event was to establish the process followed to identify, notify and remedy this issue and identify lessons learned to help improve communications in the future.

### **Lease Negotiations**

- 2.5 Lease discussions are nearing completion with the College, Job Centre Plus (JCP) and the Clinical Commissioning Group (CCG). Heads of Terms are to be agreed prior to the award of the Design and Build contract.

### **Scope and Design of Building**

- 2.6 The scope of the building has not changed and remains as approved. It should be noted however that any further changes to the design or specification, following approval of the Stage 2 report, is likely to incur additional costs. Some change is inevitable given that we are over two years away from moving into the new building and for that reason a formal change control process has been embedded into project management processes.

- 2.7 Following recent changes in management at the College, the Stage 2 designs are currently under review and several design changes are anticipated. The College has been made aware that they will be responsible for any costs associated with any requested design changes and that any impact on timescales will need to be considered carefully to ensure there is no negative impact on the overall programme.

- 2.8 Further detailed discussions with potential occupants are ongoing to gain a better understanding of partners' requirements and to identify if design changes are required to the first floor. These potential occupants include Customer Services, Citizen Advice Bureau, Cash Box, Credit Union and Welfare Rights.

### **Fixture, Fittings and Equipment (FF&E)**

- 2.9 An analysis of furniture, fittings and equipment, for all elements of the scheme, was completed as part of the Stage 2 submission. The original £1.5 million budget for the Council and partners had been confirmed to be sufficient at Stage 2. An original projection of FF&E costs to be recovered from JCP and CCG, for bespoke elements, was £287,000. However, the projected FF&E contribution, from these organisations, is now anticipated to be £432,000.

2.10 It was reported at the Council's Executive Cabinet meeting on the 21 October 2015 that the College fixed FF&E costs had been estimated at £1.065 million subject to further analysis and value engineering.

2.11 The current College FF&E costs are now projected at £2.2 million as shown in the table below:

Type of FF&E	Amount (£)
Loose	827,486.57
Fixed	1,391,800.38
<b>Total</b>	<b>2,219,286.95</b>

2.12 Early negotiations with the College included an indication of a £300,000 Council contribution towards the fixed FF&E costs for their accommodation. Over the course of the development of the project, the College has repeatedly stated that this level of financial contribution is insufficient to meet their needs and enable them to move into the town centre.

2.13 Further negotiations with the College have resulted in an agreement for a capped £850,000 Council contribution towards the total £2.2 million costs of the College's FF&E. This ensures that Heads of Terms for the College's lease are agreed within the required timescales while limiting the Council's financial exposure.

2.14 The revised financial breakdown of FF&E costs for the College are as follows:

Detail	Council Cost (£)	College Cost (£)
Council capped contribution towards College fixed FF&E	850,000	
College to pay for balance of fixed FF&E		541,800 *
College to pay for all loose furniture		827,486 *
Specialist design advice (previously approved)	48,303	
<b>Total Projected Cost</b>	<b>898,303</b>	<b>1,369,286</b>

\*Note - the College is currently reviewing the designs so these costs are still subject to change.

### **Contract Award**

2.15 The revised target date for financial close and contract award is 30 June 2016. Good progress is being made with final negotiations and legal documentation to ensure that this milestone is achieved.

## **3. CARILLION QUARTERLY REPORT**

3.1 Carillion Building continue to submit quarterly update reports to the Council, which provide details on the works progress including any incidents and accidents and progress towards achieving employment and skills targets.

### **Employment and Skills**

3.2 Partnership work continues between Carillion and the Council's Employment and Skills team to maximise opportunities for local employment, apprenticeships, work placements and local supply chains.

3.3 A summary of the outputs achieved to date is show in the table below:

<b>Activity</b>	<b>Target Number</b>	<b>Achieved</b>
Apprenticeships	30	2
Ready for work placements	15	4
Placements for education	0	2
Jobs created	20	20
Schools / young people engagement sessions	12	4
Site tours / stakeholders	0	12

- 3.4 A further review of the above outputs is currently being undertaken by the Employment and Skills team. The purpose of this review is to establish whether there are opportunities to further stretch targets previously agreed and also ensure there is a standard and recognised definition applied to each output.

#### **Public Realm Project**

- 3.5 Substantial progress has been made with the development of the Ashton Town Centre public realm project. An appropriate funding package is also being developed to enable the delivery of all elements of the project as identified in previous reports.
- 3.6 The current projected costs for the Ashton Town Centre project are £9,655,383 with Council commitments of £8,191,726 of which £2,631,000 sits within the overall Vision Tameside budget. The funding package therefore relies on financial contributions from external sources including the GM Growth Deal Round 3 programme and Network Rail. A detailed business case and funding bid for £1.2 million has been submitted to TfGM and informal feedback received to date has been positive. A formal decision is expected by the end of July 2016.
- 3.7 In addition, discussions with Network Rail regarding their current plans to replace the two bridges at the Turner Lane junction, have included potential improvements to the station façade and plaza.
- 3.8 Hamilton-Baillie, leading international urban design and movement experts, has recently been appointed to develop proposals for the rationalisation of the Turner Lane road junction and associated works. This work is aimed at complementing the wider public realm project, pedestrianisation of Wellington Road and creating an attractive arrival and pedestrian environment in Ashton.
- 3.10 A further report on the public realm project will be provided for consideration once project and funding details have been established.

#### **Re-use of Ashton Town Hall**

- 3.11 A study to explore the potential for optimising the future use of Ashton Town Hall has recently been completed by Creative Heritage Consultants to assist in developing a vision and business plan for the future use of this important historic building. The emerging vision is based on the concepts of 'Inform, Debate and Celebrate' to communicate the distinctiveness and iconic beauty of the building. Proposed uses include arts and culture hub, retail/food & drink, meeting rooms and function rooms.
- 3.12 Ryder's Architecture, the architects for the Vision Tameside Phase 2 building, are currently developing design options and costings based on the emerging vision. This work will assist the Council in establishing the feasibility of re-interpreting the town hall in a commercially viable 21<sup>st</sup> Century context.
- 3.13 A further report on the re-use of Ashton Town Hall will be provided for consideration once project and funding details have been established.

### **Recant Task Group**

- 3.14 A Recant Task Group, which reports to the Vision Tameside Working Group, is in the process of developing an appropriate Recant Strategy for the new Joint Service Centre as part of the wider Council accommodation strategy.
- 3.15 The intention is to have a draft Recant Strategy available for further consideration by Autumn 2016.

## **4. PROJECT PROGRAMME**

- 4.1 Due to unforeseen delays in the demolition programme, a revised recovery programme was received on the 9 June 2016. Some of the reasons provided for the delays experienced include late scaffolding erection to the Octagon Tower; additional propping up requirements in the Octagon Tower, remedial work to the existing town hall having an impact on the heavy vibration demolition works progress.
- 4.2 The latest recovery programme indicates that the demolition programme will be complete by the 5 August 2016 rather than the previously reported date of 24 June 2016.
- 4.3 The revised high level programme is shown in the table below. This confirms a completion date for the construction of the new building as 26 May 2018 with recant and occupation completed by September 2018.

<b>Phase</b>	<b>Milestone</b>	<b>Target Date as of May 2016</b>
Design Stage	Stage 1 design	Achieved
Design Stage	Stage 2 design submission for Planning	Achieved
Decant Phase	TAC vacated	Achieved
Decant Phase	Retail vacated	Achieved
Planning Approval and Listed Building Consent	Approval granted	Achieved
Demolition and Enabling Phase	Start separation works from Ashton Town Hall	July 2015
Demolition Phase	Demolition starts	17 August 2015
Stage 2 Costs	Approval	December 2015
Demolition Phase	Demolition complete	5 August 2016
Contract Negotiation	Financial close / contract award	By 24 June 2016
Future Use of ATH	Business case complete	July 2016
Construction Phase	Construction phase starts	8 August 2016
Construction Phase	Completion	26 May 2018
Recant Phase	Recant commences	June 2018
Recant Phase	Recant completes	September 2018

- 4.4 Carillion has provided details of the mitigation measures which have been implemented to reduce the risk of further delays. In addition, they will continue, where possible, to identify opportunities to claw back time on the programme.
- 4.5 This delay in the programme does not have a significant impact on the current contract and lease arrangements. However it is essential that the programme continues to be monitored closely to ensure there is no further slippage, ensuring that the new building will be open and fully functioning by September 2018.

## 5. FINANCIAL IMPLICATIONS

- 5.1 The report to the Council's Executive Cabinet meeting on the 16 December 2015 gave authority to further negotiate specific areas in the cost plan to achieve better value for money.
- 5.2 These negotiations are now complete and the following revised offer has been made by Carillion:

Detail	Original Cost (£)	Revised Cost (£)	Variance (£)
Final asbestos removal costs - Carillion to omit overhead and profit for undertaking the work. Cost now incorporated into the Demolition costs identified in table 5.3.	720,000	680,000	40,000
Further additional, without prejudice commercial adjustment to close the agreement	680,000	650,000	30,000
<b>Total</b>			<b>70,000</b>

- 5.3 The costs approved by the Council's Cabinet Executive in December 2015 are shown in the table below along with further virements which are proposed for approval through a Council Key Decision on 29 June 2016.

Budget Heading	Approved Budget December 2015 (£)	Projected Budget May 2016 (£)	Requested Virements at June 2016
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Lease Termination			
Public Realm Works	2,631,000	2,631,000	0
Document Scanning	250,000	250,000	0
Potential Loss of profits Wilko's	550,000	550,000	0
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<b>Total</b>	<b>48,673,794</b>	<b>48,673,794</b>	<b>0</b>

- 5.4 If the virements are approved, the table below outlines the high level capital requirements for the project.

<b>Capital Costs</b>	<b>Amount (£)</b>
VTP2 Demolition	3,298,474
VTP2 Construction (inc inflation contingency)	36,074,805
TMBC Furniture Budget	1,500,000
Construction Contingency (dark ground risk)	250,000
Approved Change Orders To date	1,616
Less Potential Income	-4,432,000
<b>Total Net Construction Costs</b>	<b>36,692,895</b>
Additional VTP2 Programme Elements	11,177,738
Programme Contingency	803,161
<b>Total</b>	<b>48,673,794</b>

- 5.5 Dialogue continues with the TIP regarding the final construction contract sum which will not exceed the capital budget envelope.

### **Funding**

- 5.6 A Council Key Decision in October 2014 authorised the submission of a funding bid to the Local Growth Fund for a capital contribution towards the costs of the College's demise in the new building.

- 5.7 The Skills Capital bid was successful and the Greater Manchester Combined Authority (GMCA) issued an offer of grant to the Council, of up to £4,060,000, in June 2015 subject to a number of grant conditions being met. A summary of the grant conditions are as follows:

- a. Confirmation that the Council have entered into an Agreement to Lease of Part of the premises created by the Project for a term of not less than 25 years.
- b. Submission of an independent Confirmatory Due Diligence report to the GMCA which will provide confirmation of the following:
  - grant compliance with State Aid rules;
  - the Council has sufficient capital funding in its cash-reserves, that is has been approved by its governing body and that it will not adversely impact on its overall financial position;
  - credibility and accuracy of the projects financial projections.
- c. Appointment of an independent Project Monitor who will verify to the GMCA that the project is being satisfactorily delivered and that claims for payment of the grant are made in accordance with the terms and conditions of grant.

- 5.8 The Confirmatory Due Diligence and Independent Project Monitor reports have now been completed and approved by the GMCA. On this basis the GMCA issued a draft formal funding agreement for £4,060,000 on the 12 May 2016.

- 5.9 A breakdown of the estimated eligible expenditure is as follows:

<b>Item</b>	<b>Estimated Eligible Expenditure</b>	<b>Maximum GMCA Grant Contribution (% of estimated Eligible Expenditure)</b>
Consultant costs (due diligence, project monitor, independent accountant)- these are not included in the costs above for Vision Tameside.	Up to £60,000	£60,000 (100%)
Construction costs (including prelims, contingencies and professional fees)	Up to £12,000,000	£4,000,000 (33%)

5.10 The FF&E contribution from JCP and CCG is currently estimated to be £432,000.

5.11 Funding for the balance of the capital requirements for the programme will be from reserves and/or Public Works Loan Board borrowing in line with the Council's capital strategy.

## **6. RISK MANAGEMENT**

6.1 The Vision Tameside Phase 2 programme has a comprehensive risk register and issues log which is pro-actively managed by the Project team. The primary risks associated with the proposals outlined in this report are shown in the table below.

<b>Risk</b>	<b>Mitigation</b>	<b>Status</b>
Financial	<ul style="list-style-type: none"> <li>Affordability confirmed against the Council's financial position</li> <li>Costs within affordable financial envelope</li> <li>Value for Money assurance from Stage 2 review</li> <li>Rigorous change control procedures</li> <li>Income from subletting space</li> </ul>	Green
Stakeholder	<ul style="list-style-type: none"> <li>Comprehensive communication strategy consistently delivers key messages regarding benefits</li> </ul>	Green
Economic	<ul style="list-style-type: none"> <li>Economic benefits confirmed in stage 2 business case</li> </ul>	Green
Service Delivery	<ul style="list-style-type: none"> <li>Flexible, fit for purpose accommodation for Council and partners</li> <li>Working Better Together to ensure office systems, technologies and recant strategy delivers exceptional service delivery</li> </ul>	Green

## **7. CONCLUSION**

7.1 Delivery of the Vision Tameside Phase 2 programme is key to the achievement of the Council's overall strategic priorities and a new exciting future for Tameside attracting new businesses, creating new jobs and future opportunities for Tameside Residents.

7.2 Maximising opportunities for local employment, apprenticeships, work placements and local supply chains contribute to economic prosperity in the borough.

7.3 Improvement to the public realm is critical to the success of the Vision Tameside programme and good progress continues to be made with project development and associated funding package from external partners.

- 7.4 Ashton Town Hall is a key Council asset and good progress continues to be made with the development of a vision and business plan for the future re-use of the building.
- 7.5 In order to conclude designs and costs for the new building it is necessary to develop a costed Recant Strategy as the occupants will dictate the use and feel of the space. Good progress is now being made on this critical piece of work which will also help inform the Council's Estate Strategy for the disposal and retention of properties within its portfolio

## **8. RECOMMENDATIONS**

- 8.1 These are shown at the front of the report.