

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

Date : 13 March 2017

**Executive Member/
Reporting Officers:** Councillor Jim Fitzpatrick - First Deputy (Finance and Performance)

Damien Bourke - Assistant Executive Director (Development, Growth and Investment)

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

Report Summary: This report provides a progress update on project development & delivery, costs & funding, delivery timescales and risks associated with the Vision Tameside Phase 2 Programme this includes the new Shared Service Centre and the Streetscape Improvement Project.

Recommendations: That the Panel consider the contents of the report and:

1. Notes the progress with the delivery of the overall Vision Tameside Phase 2, specifically with lease negotiations, development of a recant plan and Employment & Skills initiatives.
2. Notes the emerging risk associated with the delay in securing an appropriate funding package for the Streetscape Improvement project.
3. RECOMMENDS to Cabinet approval of the budget, variations and virements identified in section 7 of this report.
4. Notes the excellent progress being made to drawdown the £4 million Skills Capital Funding.

Links To Community Strategy: Prosperous Tameside

Policy Implications In line with approved policy

**Financial Implications:
(Authorised By The Section
151 Officer)** The overall costs of the Vision Tameside programme include the development of the Shared Service Centre. The budget for the Centre must be contained within the overall net allocation of £48,673,794, which was approved in February 2015. Also included within the programme is the Streetscape Improvement project the current estimated costs of which are identified in section 4.

Shared Service Centre

The proposed budget for the Shared Service Centre after approved virements identified in section 7.10, is shown in the table below:

Budget Heading	Budget proposal March 2017 (£)
Total Demolition / Construction costs (including revised commercial offer and inflation contingency)	38,693,279
TMBC Furniture Budget	1,500,000
Approved Change Orders To Date	40,048

Additional Asbestos Costs (now included in total demolition / construction cost)	680,000
Total Demolition / Construction Costs	40,913,327
Less SFA grant	-4,000,000
Cost paid by partners for furniture	-432,000
2014/2015 Ryder Invoices	23,895
TMBC Construction Contingency (for dark ground)	50,000
Net Construction Costs	36,531,327
Decant / condition works	2,797,320
Co-op bank termination of lease	95,408
Programme Management	118,689
Fit out costs of temporary store re Early Lease termination – Wilkos	832,978
College Fixed Furniture and Equipment	850,000
Fit Out Costs - Early Wilko's Lease Termination	859,900
Public Realm Works	2,631,000
Document Scanning	250,000
Potential Loss of profits Wilko's	550,000
Legal Costs of Construction Works	115,229
IT Enablement	2,194,000
Programme Contingency	824,048
Total	48,673,794

In respect of the construction contingency the risks have significantly reduced and it is now considered appropriate to revise the value down to £50,000. This will cover any costs related to those detailed in section 7.9.

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.

The overall contingency is not a large amount considering the size of the project and therefore costs needs to be closely monitored. The virements requested in this report will give a remaining contingency of £824,048.

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 leases with all potential occupants are completed as soon as possible so that the capital and revenue implications of the programme can be confirmed.

Within the SFA grant awarded there is £60,000 which will be utilised in the administration of the grant this needs to be closely

monitored.

Streetscape Investment Project

Within the Shared Service Centre funding envelope, £2,631,000 has been allocated to Streetscape the remaining gap will need to be reviewed and agreed which will be the subject of a further report. The current estimated gap is £5,428,286 close monitoring of this project needs to continue to ensure expenditure doesn't exceed the available funding.

Recant

It is also noted that currently there is no budget within the Vision Tameside funding envelope for the Recant plan this will be detailed in a further report.

Legal Implications: (Authorised By The Borough Solicitor)

On a project of this size strong and focused project management is required, facilitated in this case through the Vision Tameside Steering Group chaired by Councillor Jim Fitzpatrick, and internal working groups. This is key in the monitoring and the management of deadlines and future milestones going forward, so that any potential hinderances in achieving the same .are highlighted at as early a stage as practically possible and can be addressed..

Additional governance with any change orders to be agreed with Tameside College was provided by way of an Executive Decision on 6 December 2017, and this sets out the methodology for the same going forward so there is clarity, focus and reduces the risk of exceeding the financial envelope..

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 Council must also ensure that it closely monitors and adheres strictly to the obligations set out in the Grant Funding Agreement with the Greater Manchester Combined Authority which provided a grant of £4,060,000 towards this project.

Once Legal Services receives Heads of Terms in respect of the DWP leases it will expedite the same without delay.

Risk Management:

The key risks, impact and mitigation proposed are included in the report at Section 8.

Access To Information:

The background papers relating to this report can be inspected by contacting the report writer Damien Bourke, Assistant Executive Director, Development, Growth and Investment by:

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1. INTRODUCTION

- 1.1 The purpose of this report is to provide a progress update on project development & delivery, costs & funding, delivery timescales and risks associated with the Vision Tameside Phase 2 Programme.
- 1.2 The second phase of the Vision Tameside programme creates a new Advanced Skills Centre for Tameside College alongside a new Shared Service Centre for the Council and its partners. Other complementary projects include Streetscape Improvements, re-use of Ashton Town Hall, development of a Recant Plan and Employment & Skills initiatives.
- 1.2 Since the last report to the Strategic Planning and Capital Monitoring Panel, on 11 July 2016, substantial progress has been made with key elements of the Programme as set out below.

2. VISION TAMESIDE PHASE 2

- 2.1 Key progress milestones achieved to date include:
 - Demolition contract completed 12 September 2016
 - Enabling works for construction commenced 13 September 2016
 - Piling works commenced 19 September 2016
 - Construction contract award on 22 November 2016
 - Steel beam signing ceremony held on 6 December 2016
- 2.2 Overall, the project is making good progress with the position against projected programme currently being maintained. Current works on site include foundation construction and steel frame erection with installation of upper floor structures due to start in the next month.
- 2.3 Pro-active communication is being maintained with local stakeholders to keep them up to date on progress and mitigate against the town centre disruption created by the construction works. The demolition phase of the project was recently nominated for a National Site Award 2017 under the Considerate Constructors scheme.
- 2.4 Health and Safety performance has been good and several specialist site visits and quality audits undertaken to date have not identified any significant issues.
- 2.5 The latest independent external monitoring of the project for the Skills Funding Agency in January 2017 reported general satisfaction with the overall progress and financial status of the project. The monitoring report particularly identified the Council's implementation of the change management system on the project as representing good practice.

3. PROGRAMME MANAGEMENT

Vision Tameside Working Group

- 3.1 The Working Group, chaired by the First Deputy (Finance and Performance), continues to meet monthly to oversee the development and delivery of the project. The Working Group also provides strategic direction to the seven Task Groups responsible for delivering the different elements of the Programme such as the streetscape improvements, working differently, facilities management, employment and skills and communications.

Building Design and Scope

- 3.2 The overall scope and external fabric of the building has not changed since the last report. However, some design changes have been approved by the Working Group, within the project's financial envelope, following completion of the appropriate Reviewable Design Data process. This is to ensure that the building is better able to meet the Council's objectives and requirements.
- 3.3 In addition, there are new accommodation requirements currently being considered by the Council for levels 01, 02 and 04. It is critical that any changes to these areas are agreed and instructed as a matter of urgency to reduce abortive design work and the impact on budget and programme.
- 3.4 Tameside College requested changes to the layout of their demise at the end of 2016 and this resulted in the Council approving an Executive Decision (Vision Tameside Phase 2 Tameside College Change Order Request) on the 6 December 2017 to formally instruct and manage the requested changes. The layout changes requested have no impact on the layout or functionality of the Council's demise.

Reviewable Design Data (RDD) Process

- 3.5 The Design & Build contract for the project allows the Council to review some detailed design data against an agreed timetable. The review process is based on the designs and costs, which were approved by the Council's Executive Cabinet on 16 December 2015.
- 3.6 Any changes requested during this process could have an impact on cost and programme and a robust management regime is being implemented to minimise risks. Relevant officers and specialist advisers are engaged to ensure an intelligent client input and that future buildings facility and asset management arrangements are included in any considerations.
- 3.7 A summary of the current status of the 34 RDD items to be reviewed for the project is shown in the table below.

Reviewable Design Data Process Status – March 2017		
Organisation	Number	Status
Council	21	Total number submitted to date
	4	Approved to date
	13	Approved to date subject to comment / clarification
	4	Not yet due
College	16	Total number submitted to date
	3	Approved to date
	5	Approved to date subject to comment / clarification
	4	Not required
	4	Not yet due

Lease Negotiations

- 3.8 The Council's Legal Services, Estates and Finance teams are coordinating negotiations on leases required with Tameside College, Wilkinson's, Department of Works & Pensions and NHS Tameside & Glossop Clinical Commissioning Group for their occupation of the new building.

3.9 The current status of the negotiations is shown in the table below:

Lease Negotiations Status – March 2017			
Organisation	Heads of Terms Agreed	Agreement for Lease completed	Lease Agreement completed
Tameside College	N/A	08/12/2016	June 2018
Wilkinson's	N/A	09/02/2015	June 2018
DWP	Awaiting HOTs	Awaiting HOTs	June 2018
Clinical Commissioning Group	Awaiting HOTs	Awaiting HOTs	June 2018

Programme

3.10 The revised high level programme is shown in the table below:

High Level Programme – March 2017		
Phase	Milestone	Target Date
Construction Phase	Completion	15 June 2018
Recant Phase	Recant commences	June 2018
Recant Phase	Recant completes	September 2018

4. STREETSCAPE IMPROVEMENT PROJECT

4.1 Following previous Council approvals, a Streetscape Improvement (previously described as public realm) project has been included within the scope and funding for the Vision Tameside Phase 2 programme. Concept designs were approved in October 2016 subject to detailed proposals and funding

4.2 Progress with the development of the Streetscape Improvement project to date has included:

- a) Project scope extended along Wellington Road up to Penny Meadow junction
- b) Liaison with TfGM on proposed works around the new Interchange including street lighting and works required to the public highway under Section 278 of the Highways Act 1980
- c) Liaison with Network Rail Liaison on changes to proposed works at Ashton Station and design of new station plaza and totem
- d) Traffic modelling of key junctions completed
- e) Topographical surveys completed
- f) Ashton Ward members briefed on the emerging plans
- g) A comprehensive consultation plan developed to ensure that all relevant groups and stakeholders are fully consulted at each stage of the design process

4.3 The funding package for the project relies on financial contributions from external sources including the GM Growth Fund Deals and Network Rail.

- 4.4 In December 2017, Greater Manchester was informed of a provisional transport allocation £40m some 27% of the reduced £152m submission. Considerations at a Greater Manchester level continue to determine an appropriate way forward for the limited Growth Deal 3 funding award.
- 4.5 Tameside are continuing discussions with Transport for Greater Manchester to determine the full extent of available funding through the Growth Deal 3 process (£1.35m) and other potential funding sources to contribute to the £2.71m gap funding shortfall.
- 4.6 The current status of the funding package is as follows:

Funding Package – Streetscape Improvement Project March 2017	
	£
Proposed works Wellington Road (based on extended scope)	8,059,286
Streetscape Project Confirmed Budget	2,631,000
Shortfall	5,428,286
Existing TMBC TfGM funding (subject to further Business Case submission to TfGM for approval)	1,370,000
Balance Requirement	4,060,000
Growth Deal 3 Funding Bid (unconfirmed)	1,350,000
Current GAP in Funding	2,710,000

- 4.7 If the Council is unable to secure an appropriate funding package then the following options will need to be considered to ensure that this critical element of the Vision Tameside programme can be delivered:
- Reduce project scope
 - Value engineer materials
 - Re-programme works
- 4.8 A further report will be provided with recommendations once the final funding position for the project is established.

5. RECANT PLAN

- 5.1 A detailed Vision Tameside Recant Plan is currently being developed to form part of a wider Council Office Accommodation Strategy, which will be implemented when the new Shared Service Centre is completed in summer 2018.
- 5.2 The following work has been completed to date to help develop an appropriate plan:
- Detailed review of the new building's design
 - Reconciliation of staffing numbers
 - Development of a set of principles to help inform the Council Office Accommodation Strategy and Vision Tameside Recant Plan
 - Development of an initial high-level Recant Plan and consequential requirements for staff accommodation in retained buildings.
 - Development of a project plan.
- 5.3 The new Shared Service Centre has been designed to operate as a corporate 'Head Office' hub for the Council accommodating the Single Commissioning Management Team, Directorates, front of house services, dispersed administration and professional staff.

5.4 A further report on the Recant Plan will be provided for approval once project and budget implications have been established.

6. EMPLOYMENT AND SKILLS

6.1 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.

6.2 One of the successful outcomes of the contract negotiations was the inclusion of specific Employment and Skills targets in the Design and Build contract.

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

Employment and Skills Outputs – March 2017			
Activity	Target	Total Achieved	TMBC residents
Apprenticeships	30	6	6
Ready for work placements	50	12	9
Placements for education	0	1	1
Jobs created	20	23 /18 sustained	22
Schools / young people engagement sessions	12	6	6
Site tours / stakeholders	0	2	2

7. FINANCIAL IMPLICATIONS

Fixture, Fittings and Equipment (FF&E)

7.1 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.

7.2 The last report to the Strategic Planning and Capital Monitoring Panel on the 11 July 2016 highlighted that the projected FF&E contribution, from the DWP and CCG, was anticipated to be £432,000. However due to negotiations still underway with NHS Property Services, acting on behalf of the CCG, and recent design changes requested by the DWP this contribution will need to be reviewed once Heads of Terms are agreed with both organisations.

7.3 In addition the last report provided an update on Tameside College's FF&E costs which at that time were projected at £2.2 million as shown in the table below:

Tameside College Fixtures, Fittings and Equipment March 2017	
Type of FF&E	Amount (£)
Loose	827,486.57
Fixed	1,391,800.38
Total	2,219,286.95

- 7.4 The impact on the cost of the College's FF&E, following the design changes requested by the College and approved by an Executive Decision on the 6 December 2016, is not yet known.
- 7.5 Carillion Building issued a notice of Variation (COR 022) for the College's FF&E on the 10 February 2017. This information pack is currently being reviewed by both the Council and College to fully understand the impact on the College costs and programme. A decision on whether to proceed with this variation is required from the College by 15 March 2017 at the latest. This will then enable the Council to obtain an Executive Decision, to ensure the variation can be formally instructed by Carillion's deadline date of 7 April 2017. It is critical that these timescales are achieved to protect the construction programme.

Variation Notices and Impact on Contingency Budget

- 7.6 The programme currently has a contingency allowance of £803,161. In addition to administering all Variations in line with Clause 15 of the Design and Build contract a robust internal process, agreed with Legal Services and Finance, has been implemented to ensure all costs are carefully monitored and there is transparency in all decision-making thereby reducing the Council's financial risks.
- 7.7 The table below provides details of the Council's variation notices approved to date with a total value of £40,048.47. It also provides a summary of "other" costs which exceed the previously approved budget allowance. Additional virements are therefore requested from the contingency budget for these identified overspends – value £140,681.
- 7.8 A positive virement of £200,000 is proposed through a reduction in the allowance for dark ground risks. This reduces the dark ground risk contingency from £250,000 to £50,000 following a technical review of the risk. 82% of the ground has now been excavated and no contamination has been found to date. An allowance of £50,000 is now considered prudent based on probability and status of the programme.
- 7.9 In summary, the proposed variation increases the Vision Tameside Programme contingency budget by 2.6% from £803,161 to £824,048.

Vision Tameside Phase 2 Variation Notices and Proposed Virements – March 2017		
Variation Notice (Ref. No.)	Amount (£)	Details
COR 11, 12, 13	4,674.65	Vodafone incident, electricity meter operating annual fee
COR 8, 14	2,101.58	Cable diversion to Old Town Hall & electricity lift supply
COR 6	1,963.50	Inspired spaces GA Consulting Limited
40055007	675.00	Expert advice – structural survey brief for the Waterboard Building Façade
60059125	180.00	Expert advice - making good rear of Ashton Town Hall
LEP 033	2,822.40	Expert advice – review of M&E proposals
COR 001A	16,613.36	Revised library layout affecting the ground floor slab
COR 001 B	52,743.05	Revised layout to library to ensure the space is fit for purpose
COR 001 B	-30,000.00	Funding from 17/18 revenue budget from

		Library Services
COR 001 B	-22,245.29	Funding from IT Vision Tameside
COR 002	6,457.00	Changes to CCTV final positioning and access control on cycle store
COR 008	5,177.89	Redesign of the customer services area
COR 014	-5,000.00	Contribution to the removal of market stalls
COR 024	3,885.33	Undertaking preliminary design works for potential changes to Levels 02 and 04.
Total required	40,048.47	
Less current budget for change orders	-1,616	
Total virement required	38,432.47	
Current Contingency	803,161.00	
Less Additional Virement Requests		
Variations as above	- 38,432.00	
Ryder Invoices 14/15	-23,895.00	
Dark Ground	+200,000.00	
Decant / Condition Works	-32,868.00	
Programme Management	-18,689.00	
Legal costs	-65,229.00	
Remaining Contingency	824,048	

Financial Position

7.10 The current financial position for the Vision Tameside Phase 2 project is shown in the table below subject to approval of the virements proposed in Section 8.10.

Vision Tameside Phase 2 Financial Position – March 2017			
Budget Heading	Approved Budget July 2016 (£)	Proposed Budget March 2017 (£)	Requested Virements at March 2017
Total Demolition / Construction costs (including revised commercial offer and inflation contingency)	38,693,279	38,693,279	0
TMBC Furniture Budget	1,500,000	1,500,000	0
Approved Change Orders To Date	1,616	40,048	38,432
Additional Asbestos Costs (now included in total demolition / construction cost)	680,000	680,000	0

Total Demolition / Construction Costs	40,874,895	40,913,327	38,432
Less SFA grant	-4,000,000	-4,000,000	0
Cost paid by partners for furniture	-432,000	-432,000	0
2014/2015 Ryder Invoices	0	23,895	23,895
TMBC Construction Contingency (for dark ground)	250,000	50,000	-200,000
Net Construction Costs	36,692,895	36,531,327	-137,673
Decant / condition works	2,764,452	2,797,320	32,868
Co-op bank termination of lease	95,408	95,408	0
Programme Management	100,000	118,689	18,689
Fit out costs of temporary store re Early Lease termination – Wilkos	832,978	832,978	0
College Fixed Furniture and Equipment	850,000	850,000	0
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	115,229	65,229
IT Enablement	2,194,000	2,194,000	0
Programme Contingency	803,161	824,048	20,887
Total	48,673,794	48,673,794	0

Funding

- 7.11 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.
- 7.12 The Council received a formal funding agreement from the Greater Manchester Combined Authority, dated 13 September 2016, for £4,060,000.
- 7.13 Details of the grant claims submitted to date are shown in the table below.

Vision Tameside Phase 2 – Skill Funding Agency Claims March 2017		
Claim Number	Amount of Claim	Status of Claim
1 (September 2016)	£850,565.13	Paid to the Council
2 (December 2016)	£1,060,660.87	Approved by GMCA 20/02/2017
Total claim to date	£1,911,226.00	

7.14 A condition of the funding agreement is that an independent Project Monitor is appointed to verify that all financial claims are accurate and that appropriate project management arrangements are in place to effectively manage a project of this scale. In addition a quarterly quality check is carried out to validate progress on site. The feedback from the independent Project Monitor to date has been extremely positive with no issues to report.

8. RISK MANAGEMENT

8.1 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.

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

9. CONCLUSION

9.1 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.

9.2 It is important that the outstanding lease negotiations are progressed urgently to provide certainty around projected income and FF&E contributions.

9.3 Careful monitoring of the construction programme is required to ensure no further slippage thereby ensuring that the building can be open for business in September 2018.

9.4 The latest independent external monitoring of the project for the Skills Funding Agency in January 2017 identified the Council's implementation of the change management system on the project as representing good practice.

9.5 Budget monitoring is critical to the successful delivery of this project to ensure costs are contained within the budget envelope.

9.6 It is essential that any potential changes to the design of the building are instructed urgently to minimise the impact on cost and programme.

- 9.7 Improvement to the public realm is critical to the success of the Vision Tameside programme and although good progress continues to be made with the design of the scheme the delay in securing an appropriate funding package from external partners is putting the streetscape project at risk.
- 9.8 Good progress is being on the development of a Recant Plan which will also help inform the Council's Office Accommodation Strategy. No budget has been identified for this critical piece of work so this will be the subject of a future report.
- 9.9 Continuing to maximise opportunities for local employment, apprenticeships and work placements is contributing to economic prosperity in the Borough.

10. RECOMMENDATIONS

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