

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

Date : 30 November 2015

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

Damien Bourke, Assistant Executive Director, Sustainable Growth and Assets

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

Report Summary: A Key Decision was made on 4 February 2015, to progress the Vision Tameside Phase 2 programme. The Stage 2 proposal has now been received from the Tameside Investment Partnership. This report is intended to update Members of the Panel with progress in respect of the Vision Tameside Phase 2 programme at Stage 2 and seek a recommendation for approval to progress to the next stage.

Recommendations: That the Panel consider the contents of the report and recommend approval to:

- i. accept in principle the Stage 2 proposal subject to receipt from the that the project represents value for money, and authorise the payment of the Design and Development Fees to bring the project to phase 2 of £1m which are in line with the budget for the project.
- ii. approve the virement as set out in the table:

Expenditure	Projected Expenditure May 2015 £	Projected Expenditure Stage 2 November 2015 £	Virement Requested Stage 2 November 2015 £
Construction and Demolition	35,049,251	36,694,792	1,645,541
TMBC Furniture Budget	1,500,000	1,213,000	-287,000
TMBC construction contingency	941,316	250,000	-691,316
Contingency for inflation	2,642,327	2,294,291	-348,036
Total Construction Costs	40,132,894	40,452,083	319,189
Additional asbestos removal costs in TAC		706,997	706,997
Total	40,132,894	41,159,080	1,026,186
Less SFA grant	-4,000,000	-4,000,000	0
Net construction costs	36,132,894	37,159,080	1,026,186
Additional Costs Confirmed			
Decant / condition works	2,824,452	2,764,452	-60,0000
Co-op bank	100,000	100,000	0

termination of lease			
Programme Management	100,000	100,000	0
Fit out costs of temporary store re Early Lease termination – Wilkos	850,000	832,978	-17,022
Additional Costs to be Confirmed			
College Fixed Furniture and Equipment	300,000	300,000	
Fit out costs re Early Lease termination – Wilkos	859,900	859,900	0
Public Realm	2,631,000	2,631,000	
Document Scanning	500,000	250,000	-250,000
Potential loss of profits Wilkos	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	1,581,548	882,384	-699,164
Total	48,673,794	48,673,794	0

- iii. authorise the Executive Director for Place and the Borough Solicitor to negotiate and agree a design and build contract for the Vision Tameside Phase 2 building.

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 must be contained within the overall net budget of £48,673,794, which was approved in February 2015.

Contingency provisions were made for construction and overall programme related cost pressures as part of this budget allocation.

The programme has now progressed to Stage 2 and firmer costs have been determined, in respect of the demolition and construction programme, based on an a contract award by the end of January 2016, subject to a smaller number of risks relating to ground conditions, furniture fittings and equipment for the Council and the College, the Ashton Town Hall façade.

As anticipated, there have been a number of variations to costs originally projected that now require approval if the programme is to progress.

A key cost risk and programme is not achieving contract award in January 2016, 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 the potential need to extend the

rental of some of the decant properties.

However, some elements of the programme, including decant and lease terminations now have firm costs and the scanning and IT costs have been re-scoped but not yet finally confirmed.

Any additional costs will need to be delivered from the remaining contingency to ensure that the project remains within the overall approved budget. The current approved budget, projected expenditure at this stage and virement required.

It is important that regular monitoring of all expenditure budgets, value for money and inflation projections are maintained throughout the programme. The TIP is due to provide a report determining whether or not the project represents value for money week commencing 16 November 2015, this will need to be analysed. 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.

It is important with a project of this size that there are clear governance and lines of reporting and accountability in place to ensure that the project stays within budget. We need to lock down the costs as soon as possible through contracts with the TIP as soon as possible particularly to manage the risk of inflation. 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 and to reduce /manage the risk of scope creep and consequent costs. This is particularly important once we have received the independent report from cost consultants / independent certifiers that the costs represent vfm.

There needs to be some clear understanding of the costs of the Public Realm which are not addressed in this report.

Governance also needs to be put in place for the replacement CCTV provision and business operating arrangements going forward. These will be subject to inspection and regulation by the Office of Surveillance Commissioners – the regulatory framework put in place by government.

The key risks, impact and mitigation proposed are included in the report at Section 5. The highest risks are reviewed by the internal working group on a fortnightly basis.

The background papers relating to this report can be inspected by contacting the report writers Damien Bourke, Assistant Executive Director, Sustainable Growth and Assets by:



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**Legal Implications:
(Authorised By The Borough
Solicitor)**

Risk Management:

Access To Information:

1. INTRODUCTION

- 1.1 The Vision Tameside Phase 2 programme has progressed significantly since the last report to the Panel in September 2015.
- 1.2 We are approaching completion of the Stage 2 element of the project whereby the project has reached detailed design stage and the Tameside Investment Partnership ask Carillion Building Ltd. to cost the project fully and provide a final scheme price with some risk exceptions that cannot be priced in at this stage.
- 1.3 This report is intended to update members of the Panel with progress now that the Stage 2 submission has been received in draft form. The Tameside Investment Partnership have been asked to undertake further work to reduce the cost of the scheme presented.

2. VISION TAMESIDE PHASE 2 PROGRESS UPDATE

- 2.1 Significant progress has been made since the last update to the Panel in September 2015.
Demolition of TAC
- 2.2 The uninterruptable power supply (UPS) used as a back-up power supply for the Council's IT systems have been removed from TAC. Level 7 is now completely clear and the goods lift has been decommissioned.
- 2.3 Vodaphone have installed their temporary mast on Union Street Car Park and are in the process of installing their permanent mast on Howe Mill. The power in respect of the mast on TAC was been switched off on 4 November 2015. Unfortunately, due to the fact that the operative working for Vodaphone cut through a live electricity cable, the removal of their equipment has been delayed until their revised working method statement has been approved, which should be some time week in the week commencing 16 November 2015.
- 2.4 The internal and external dilapidations surveys in respect of Ashton Town hall have been completed and the ground investigations under TAC are underway.
- 2.5 The United Utilities diversion has been completed.
- 2.6 As reported at the last Executive Board, due to the identification of asbestos in the mastic around the windows in TAC and in the concrete panels, the demolition programme is approximately six weeks behind. There are over 1,000 windows in TAC which need to be removed individually to remove the internal and external mastic. An alternative demolition strategy has been developed, which will involve evening working and will reduce the delay to an estimated three weeks, with demolition completing in June 2016.
- 2.7 Apart from the additional asbestos removal required, the demolition of TAC is progressing well. Key milestones are as follows:
 - Hoardings around the site are 100 % complete;
 - Refurbishment and demolition surveys are 100% complete;
 - The works to separate services and reconnect to Ashton Town hall are 100% completed;
 - The demolition of Wilkos roof and soft strip of the Warrington Street and Market Street elevation are 100% completed;
 - The soft strip of the Wellington Street elevation is 90% complete and the octagon tower 80% complete;
 - 15% of the hand separation from Ashton Town Hall has been completed. It appears that there is a clear cavity between the two buildings, which may reduce work required to the exposed façade; and

- 50% of the asbestos has been removed from the Market Place and Warrington Street elevations.

Development of the new build

- 2.8 Discussions have progressed with the College, Job Centre Plus (JCP) and the Clinical Commissioning Group (CCG) about their proposed space and these have now been finalised.
- 2.9 The high level scope of the building hasn't changed and remains as approved. There have been minor design changes since Stage 1 that improve the scheme affordability.
- 2.10 The analysis of furniture, fittings and equipment for all elements of the new scheme have been completed as part of the draft Stage 2 submission which was received on 19 October 2015. The original £1.5 million budget for the Council and partners has been confirmed to be sufficient at Stage 2.
- 2.11 The fixed furniture element for the college has been estimated initially at £1.065 million, compared to the original budget of £300,000. However, this is still subject to further analysis and value engineering. Officers are in dialogue with the college to review and agree the scope of the fixed furniture and equipment to be provided for the college.
- 2.12 The Clarendon College building (Phase 1 Vision Tameside) opened on 5 October 2015.
- 2.13 The Stage 2 submission for the scheme has been submitted to the Council for approval. The main cost pressures are an additional £706,000 relating to the additional asbestos found in TAC, inflation and the projected £765,000 additional projected costs of the furniture and equipment for the college. A full commercial review is being undertaken on an ongoing basis in respect of the programme and further reports will be brought to meetings of the Executive Board.
- 2.14 Approval is sought from the Panel for approval to Council to accept the Stage 2 proposal, providing that the TIP confirms that the project meets the scope, is affordable and represents value for money, and approve the virement of budgets requested and authorise the executive Director for Place in consultation with the Borough Solicitor to negotiate and agree a contract for the construction of the new building.
- 2.15 Further reports will be brought to the Panel as the programme progresses.

3. PROGRAMME

- 3.1 The programme for Vision Tameside Phase 2 has been updated as follows:

Phase	Milestone	Target Date at November 2015
Design Stage	Stage 1 Design	Achieved
Design Stage	Stage 2 Design Submission for Planning	Achieved
Stage 2	Approval	November 2015
Contract Negotiation	Financial Close	January 2016
Decant phase	TAC vacated	Achieved
Decant Phase	Retail decant	Achieved
Demolition and Enabling Phase	Separation works from Ashton Town Hall start	Commenced July 2015
Demolition Phase	Demolition Starts	17 August 2015
Planning Approval for	Planning approval achieved	Achieved

Vision Tameside Phase 2		
Construction Phase	Construction Phase Starts	May 2016
Construction Phase	Completion	February 2018
Recant phase	Recant commences	March - April 2018

- 3.2 As a result of the discovery of additional asbestos in TAC, following the intrusive pre demolition surveys, the programme for the completion of the new building at the moment is delayed by approximately three weeks. However, the LEP and building contractor are looking at options for mitigating the delay, during demolition and construction of the new building, in order to bring the occupation of the college element of the new building back in programme.
- 3.3 When the Stage 2 cost is returned as fixed, assuming the contract for the new building is signed in January 2016, we will have a final price for the development apart from specific exclusions relating to:
- any additional works required to Ashton Town Hall;
 - any further design changes;
 - the implications of any dark ground issues, for example poor ground conditions under the remaining TAC building; and
 - the additional cost of furniture, fittings and equipment for the Council, College or its partners above the budgets allocated.
- 3.4 Therefore, it is imperative that a decision is made to accept the Stage 2 submission and to undertake the commercial negotiations to agree the contract with the TIP, in order to avoid further cost increases relating to inflation.
- 3.5 It is also important that any design development is closely controlled, to avoid further cost increases relating to scope creep or the cost of changes.

4. FINANCIAL IMPLICATIONS

- 4.1 The projected costs of the Vision Tameside Phase 2 building, decant work, public realm and potential costs of the early termination of the Wilkinsons lease have been reported throughout the project.

Construction and Demolition Costs

- 4.2 The cost of the construction and demolition, excluding the recently discovered asbestos is £36,694,792, which includes inflation from Stage 1 to Stage 2 and all detailed design changes from Stage 1 to Stage 2. This cost is subject to confirmation that the project represents value for money. The TIP will provide a report week commencing 16 November 2015, which will include a detailed analysis of the proposed costs. This will be a further opportunity to value engineer the project and challenge costs.

Furniture

- 4.3 The Council had a provisional sum of £1,500,000 for furniture and the TIP has confirmed that sufficient provision can be made from this allocation, however, this also includes £287,000 for furniture relating to the CCG and JCP areas that the tenants are expected to purchase directly. There is scope to reduce this further from use of legacy furniture and equipment and further value engineering.

Contingency

- 4.4 The TIP have suggested that the Council maintain a construction contingency of £250,000, to address poor ground conditions under the TAC building in areas of dark ground under the slab which cannot be tested until the slab is broken up. On the basis of earlier tests this is not thought to be required, however, it has been included as a precaution. The outcome of any outstanding surveys will be known in December 2015, before the contract is agreed,

when a view can be taken about the need to retain this contingency.

- 4.5 The TIP have confirmed that a cavity exists between the Ashton Town Hall and TAC building, which should mean that the extent of the work to the façade is reduced, however this remains a programme risk for which a contingency has been retained, however, this contingency will be under pressure from other elements of the programme and it will be necessary to closely scrutinise and challenge all costs and avoid scope creep and variations to remain on budget and on time.

Inflation

- 4.6 The draft Stage 2 proposal included an estimate of inflation to third quarter 2017 of £2.9 million based on the projected BCIS indices. However, the TIP have now confirmed that they will fix the Council's risk to inflation at £2.294 million, as long as the contract for the building is signed in January 2016, which will allow Carillion Building in turn to place orders to both limit their exposure to inflation increases and also to deliver against the projected programme for completion in early 2018. The packages of work have been tendered by Carillion building, inviting at least three prices for the main packages of work and thus allowing them to take a commercial view on projected inflation.

- 4.7 The intrusive remodelling and asbestos surveys have now been completed. There is unfortunately, an increase in the demolition costs relating to the presence of asbestos in the internal and external mastic around the 1,000 plus windows, in the former TAC building and also additional asbestos identified as a result of the intrusive surveys. The presence of asbestos had not been identified in any earlier non-intrusive asbestos surveys undertaken by the Council during occupation. The increased cost due to the extent of the areas affected and has been priced at £706,997. This has already been value engineered from the initial costs of in excess of £1.2 m.

Additional Costs Confirmed

- 4.8 The additional costs for decant and related condition work, the Co-op Bank early termination payment, programme management and fit out costs of the temporary Wilkos retail unit in the arcades have now been fixed and are set out below in the table at paragraph 4.16.

Additional Costs to be Confirmed

- 4.9 The document scanning of items from TAC has been completed at a cost of £85,000 plus an estimated £20,000 to create permanent archive stores at Dukinfield Town Hall and Heginbottom Mill. There is sufficient budget remaining to scan approximately 400 standard sized boxes, the equivalent of what has already been scanned.
- 4.10 Costs relating to the College fixed furniture, fit out of the new store for Wilkos, public realm, document scanning, loss of profits relating to Wilkos trading, legal costs, and IT are still to be confirmed.
- 4.11 It is anticipated that the cost of the college furniture will be significantly in excess of the budget of £300K. However, the extent is still to be confirmed, and it is yet to be determined how this will be apportioned between the Council and the College. Costs of the fit out of Wilkos is likely to decrease slightly, as their specification for fit out has reduced, however Wilko's have advised that their trading figures confirm (this is subject to verification by the Council) that their the loss of revenue is likely be as initially projected.
- 4.12 The scope of the IT and public realm requirements are still being developed, however it is not anticipated that there will be any underspends in these areas.
- 4.13 The programme contingency is proposed to be reduced by £699,164 in order to meet the cost of the removal of the additional asbestos identified in TAC and to meet the immediate necessary costs to approve the Stage 2 proposal.

- 4.14 However, all of these costs will be reviewed and value engineered as far as possible until contract close.
- 4.15 One element of additional revenue funding that has not been taken into account, is the projected £130,000 income in respect of the rent income from the proposed CCG and JCP tenancies. This would effectively support the revenue costs of supporting an additional, £1.3 million capital expenditure, however, this would have to be considered against the need to meet further revenue budget reductions in 2018 and future years.
- 4.16 The table below show the budgets previously approved and projected costs at this stage:

Expenditure	Projected Expenditure May 2015 £	Projected Expenditure Stage 2 November 2015 £	Virement Requested Stage 2 November 2015 £
Construction and Demolition includes Stage 1 to Stage 2 fixed inflation	35,049,251	36,694,792	1,645,541
TMBC Furniture Budget	1,500,000	1,213,000	-287,000
TMBC construction contingency (fixed assuming contract closed in January 2016)	941,316	250,000	-691,316
Contingency for inflation to mid-point 2017 from Stage 2	2,642,327	2,294,291	-348,036
Total Construction and Original Demolition costs	40,132,894	40,452,083	319,189
Additional Demolition Costs arising from intrusive surveys funded from proposed virement from contingency		706,997	706,997
Total	40,132,894	41,159,080	1,026,186
Less SFA grant	-4,000,000	-4,000,000	0
Net construction and demolition costs	36,132,894	37,159,080	1,026,186
Additional Costs Confirmed			
Decant / condition works	2,824,452	2,764,452	-60,000
Co-op bank termination of lease	100,000	100,000	0
Programme Management	100,000	100,000	0
Fit out costs of temporary store re Early Lease termination – Wilkos	850,000	832,978	-17,022
			0
Additional Costs to be Confirmed			0
College Fixed Furniture and Equipment	300,000	300,000	0
Fit out costs re Early Lease termination – Wilkos	859,900	859,900	0
Public Realm	2,631,000	2,631,000	0
Document Scanning	500,000	250,000	-250,000
Potential loss of profits Wilkos	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	1,581,548	882,384	-699,164
Total	48,673,794	48,673,794	0

- 4.17 The Stage 2 submission has been received and a value engineering exercise has been undertaken by the Council, the TIP and Carillion Building. There is still significant work to be undertaken to contain the project costs within the original budget. However, any delay in accepting the Stage 2 proposal, will have a negative impact on both costs relating to inflation, additional decant revenue costs, loss of rent from the new building and also delays in the construction programme.
- 4.18 It is therefore proposed that the virement indicated in the table at paragraph 4.16, is approved, in order to allow the programme to progress and mitigate the impact of any increased costs due to inflation or programme delay.
- 4.19 However, the work to reduce costs by value engineering or generation of additional income must continue, as there are a number of cost pressures remaining in respect of the overall programme. Progress in respect of this exercise will be reported to future meetings of the Panel.

5. RISKS

- 5.1 The risk profile of the programme of activity is being reviewed through the Stage 2 process, as with all major projects at this stage there are a number of significant risks that need to be managed. There are a number of major risks that need to be mitigated as the programme develops.

Risk	Potential Impact	Mitigation
Inflation	Increase in construction costs beyond funding levels approved in the capital programme.	The TIP have confirmed that they will fix the inflation on the project at £2.294 million based on the criteria of signing a contract for the construction of the new building in January 2016, no further design changes and increase in scope.
Increase in scope or further design	Increase in time and cost	CCG and JCP areas have been agreed. Remaining risk relates to the college and council areas. A benchmark has been included within the proposed stage 2 proposal for the design and furniture of all areas. Close change control will need to be managed throughout the remaining design and construction programme. No programme contingency now exists to cover extensive changes.
Insufficient Funding Available to complete all aspects of the programme.	Elements of the programme not completed or fully funded.	The programme is subject to close monitoring to ensure that overall costs are contained within the overall approved budget. The main packages of work for the new building are now being tendered by the TIP and building company to give a more accurate projection of costs at Stage 2. The main element to agree is the furniture fittings and equipment support or the college element of the new building. No programme contingency now exists to cover extensive changes.

Failure to move telecom masts in required timescales	This may delay the project significantly if not removed by 8 November 2015.	The Council has purchased Howe Mill and agreed a lease with Vodafone for their mast to be relocated to the building. The temporary mast is located on Union Street Car Park, the services to the mast on TAC were disconnected on 4 November 2015. The remaining risk to cost and programme is the removal of any remaining equipment required by Vodafone.
Identification of asbestos in the TAC building following intrusive pre demolition surveys	Increase in cost and potential delay in programme.	The evaluation of the additional surveys has been completed, options to mitigate delay in programme are being progressed. The additional cost is £706,997.
Works required to decant locations not completed in time	Vacant possession of TAC not achieved in July 2015 delay to demolition and construction programme.	The decant works to all buildings have been completed. However, the delay in decanting services to Clarence Arcade has had a negative impact on the vacation of TAC and demolition programme, which will in turn impact on the construction programme unless this can be mitigated sufficiently.
Ground conditions	Increase in cost and delay in programme	Trial bore holes have not revealed any significant issues. The TIP suggest a contingency of £250,000 be provided to address any poor ground conditions.
Requirement for additional storm water attenuation	This provision has been removed	Very low risk that it will be required in the final scheme, mitigated by consultation with the planning authority.
Failure to sign the building contract with the TIP in January 2016	Increase in cost due to inflation and additional decant location rentals and delay in construction completion	Early approval of Stage 2 proposals and negotiation in respect of the new building. Standard building contracts have already been agreed for both the construction of Guardsman <i>Tony Downes</i> House and the demolition contract, which deal with most of the commercial terms. This is to be discussed further with Carillion Building to seek some relaxation.
Planning risks	The existing town hall and related buildings are grade 11 listed. Delays in approval for the demolition of TAC and the construction of the new building will delay programme and increase costs.	Planning permission for the TAC demolition and Listed Building Consent has been obtained Planning permission for the new building has been approved.
Works to the retained estate	Increase in cost and potential delay in programme.	Review of exposed façade on Ashton Town Hall and reduction in estate retained. The separation undertaken so far has revealed that there is a cavity between the TAC and Ashton Town Hall building.

Reduction of footfall during construction	Reduction in trade for local shops and businesses.	A shop locally loyalty scheme has been launched and shop local campaigns will be undertaken. The additional staff and students moving into Clarendon College are reported to have a positive impact on retail activity..
Reputation and public perception	Confidence in project reduced, negative publicity	Joint Communications plan with Tameside College and Retail Tenants
VAT	Increase in cost through irrecoverable VAT expenditure	Consultation with VAT specialist advisers in order to mitigate future risks throughout the project.

- 5.2 A full risk register, which includes details of the range of governance, financial and delivery risks, is monitored at the project level at the monthly Task Group meetings and will be overseen by the Project Board.

6. CONCLUSIONS

- 6.1 The programme to deliver the Vision Tameside Phase 2 project, is progressing well, however, there are cost implications from design development, IT, and furniture and equipment that need to be managed within the programme.
- 6.2 There are as yet unquantified risks relating to the treatment of the exposed Ashton Town Hall façade, ground conditions under TAC and also the extent of the fixed furniture in the College element of the Vision Tameside Phase 2 building and further design changes. If costs exceed budget, virement from the contingency allocation or savings elsewhere will need to be identified.
- 6.3 Planning permission for the construction of the new Vision Tameside Phase 2 building has been approved by Speakers Panel.
- 6.4 The current programme will deliver the new building for March 2018, due to delays in vacating the TAC building. However, work is being undertaken to identify if the current projected delay can be mitigated. There is also a potential impact of a delay and increases in cost, which will need to be managed relating to the identification of any additional asbestos in the TAC building.
- 6.5 Expenditure on all elements of the programme will be closely monitored on a fortnightly basis to ensure that the programme is delivered within the approved budget.
- 6.6 The outstanding agreements for lease and leases with partners and particularly Tameside College, CCG and Job Centre Plus must be resolved as soon as possible to confirm the occupation in the new building and also enable capital and revenue budgets to be confirmed.
- 6.7 The delivery of high quality public realm will support the objectives of the Vision Tameside Programme and will provide the catalyst for future investment opportunities, resulting in significant economic, social and environmental benefits for Tameside and a much improved gateway into the town centre.

7 RECOMMENDATIONS

- 7.1 These are included at the front of the report.