

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

24th May 2016

**REPORT AUTHOR: County Councillor Graham Brown
Portfolio Holder for Commissioning, Procurement and
Children's Services**

**County Councillor Rosemarie Harris
Portfolio Holder for Property, Buildings & Housing**

**County Councillor Wynne Jones
Portfolio Holder for Finance**

**County Councillor Avril York
Portfolio Holder for Regeneration**

**SUBJECT: Brecon Cultural Hub - budget position and permission to
start**

REPORT FOR: Decision

1.0 Summary

- 1.1 The purpose of this report is to provide Cabinet with an update in respect of the progress of the Brecon Cultural Hub project. The report also seeks approval for additional Powys match funding and permission to commence the enabling works and complete the contract negotiations.

2.0 Background

- 2.1 The Brecon Cultural Hub project is a flagship project for the County Council, Brecknockshire and the town of Brecon. The project seeks to conserve and redevelop the grade II* listed Brecknock Museum building, co-locate Brecon Library and the Tourist Information Centre in a new adjoining building on the site of the existing New County Hall site. The combination of services and buildings will form a new 'Cultural Hub' and is seen as making a significant contribution to the regeneration of Brecon.
- 2.2 For a summary of the opportunities, value and benefits of the Brecon Cultural Hub Project, please refer to appendix A.
- 2.3 Previous resolutions of the Board and Cabinet have supported the submission of applications to the Heritage Lottery Fund (HLF) in order to access additional funding to help realise and maximise the benefits of the proposals. The applications have been supported by match funding from the County Council and other contributors such as Brecknock Society & Museum Friends (BS&MF) and the Brecknock Art Trust (BAT).

- 2.4 Some parts of the new building construction are supported by HLF, however, the library and part of the common spaces are not supported by the HLF grant. Therefore, Powys and other stakeholders have match funded the total HLF grant of £2,497,100 and Powys funds the remainder of the project with the assistance of other grants such as CADW and MALD (formerly CYMAL).
- 2.5 For a summary of project funding/budget, October 2015, see appendix B.
- 2.6 Following approval of the HLF second stage grant in July 2013, the project team and designers developed the scheme in close consultation with Brecon Beacons National Park Authority (BBNPA). After many meetings with planning officers and a number of reviews with the Design Commission for Wales, with support of BBNPA, a planning and listed building consent was submitted to BBNPA in August 2014. Final consent was granted by BBNPA and CADW in April 2015.
- 2.7 Due to HLF requirements the project is being delivered using a 'traditional' delivery model. The designer is employed by the client and contractor employed to deliver 'build only' services. This is unlike other recent Powys major projects that have been delivered through a contractors 'Design and Build' contract. This traditional arrangement changes the risk and relationship profile for the Council because the contractor is not responsible for design.
- 2.8 To mitigate against the design team working independently of the construction team and to ensure that buildability and construction efficiencies are maximised, the case was made to HLF that Powys had successfully adopted what is known in the industry as 'Early Contractor Involvement', (ECI) on other projects. HLF agreed with the proposal that a contractor be appointed early to work along with the design team.
- 2.9 Following a procurement exercise under the Powys Construction Framework, in December 2014, Kier Construction were appointed. In March it became clear that construction cost inflation pressures were impacting on the project. This was confirmed through BCIS inflation indices; see appendix C. Work commenced with client services, designers and the contractor to seek significant cost reductions.
- 2.10 After consultation with BBNPA officers, a reduced scheme was proposed that included a building area reduction of 270m² and omission of expensive formation of basement access to the cells. In seeking savings, the HLF grant conditions could not be compromised.
- 2.11 BBNPA and HLF accepted the changes, in principle, but following pre-application advice, they requested enhancements to the roof and elevations and it was clear that all of the proposed savings could not be realised; see appendix D for images.
- 2.12 A revision to the scheme was submitted to BBNPA in autumn 2015 and approved by BBNPA and CADW 12 November 2015.

Planning/Listed building - Pre-start conditions

- 2.13 An extensive number of pre-start conditions are required to be discharged before commencement. Many require the submission of detailed proposals and material samples. The design team have been liaising extensively with BBNPA officers who have directed on the conditions they wish submitted as packages of information. The Project Architect has reported that a good working relationship and level of

cooperation has been established with the BBNPA planning officer and good progress is being made.

3.0 Budget position

- 3.1 When the revised scheme was submitted to BBNPA the budget estimate indicated a projected overspend. It should be noted that this was based on estimates rather than market tested prices based on a developed design.
- 3.2 It was decided that two actions should be taken. Firstly, seek additional funding from HLF and other sources. Secondly, to allow the designer to develop the design/specifications and then with sufficient design development, Kier to seek competitive tenders through the supply chain contractors and compile a contract price.

Additional and external funding.

- 3.3 Following meetings with HLF, they agreed that an application for additional support should be made using the estimated costs. An application was submitted to HLF on 11 Dec 2015 for grant increase of £373,851. Match funding support was also offered and accepted from the Brecknock Society & Museum Friends, the Brecknock Art Trust, the Army Covenant Grant, other local Trusts and individuals.
- 3.4 The HLF grant increase was awarded and is to be spent on HLF eligible works only. A contribution of £73,851 is required from Powys to support the 50% match funding for the HLF grant. Therefore, the total additional funding is £747,702.
- 3.5 Two external funding grants included in the original budget needed to be applied for near to the expected financial year of expenditure. A grant application was submitted in January 2016 (for 2016/17 financial year) to MALD (formerly CYMAL) for Library fit-out costs of up to £300,000, the value in the original budget. A total grant of £250,000 was approved on 4 April 2016. It is accepted by the service they will have 'to cut their cloth' to suit the reduced grant.
- 3.6 An application has been submitted to CADW for £230,000 as a contribution towards £420,000 of CADW eligible work. In April 2013 £100,000 was the anticipated grant level. CADW have indicated that they are likely to report back to Powys in June / July 2016. Feedback to date has been positive, however, this grant is not secured and therefore remains at risk. It may be that grant awards can be made in two parts over two financial years during which the project construction takes place. This increases the likelihood of the grant award being successful.

Development of the contract costs

- 3.7 The project is complex and brings together works to a Listed Building, demolition of existing buildings and construction of new adjoining buildings. However, it has to be delivered as one project under one contract due to all the interdependencies and site constraints.
- 3.8 During the tender process some supply chain contractors declined to tender after reviewing the project. This resulted in an overall extended tender period with other suppliers being approached. The willingness of the supply chain to work to the tender

return dates also brought challenges. Overall, the anticipated inflationary pressures have materialised.

- 3.9 In anticipation of the final key tenders packages being returned a review meeting was called on 12 April 16 with the design team and contractor. A client representative was in attendance. A number of review workshops were held to identify potential savings, agree items that could not be tendered/quantified at this point and check any duplication between the fit out contract managed by the Museum curator.
- 3.10 After collation of the information and verification, Kier submitted a draft project cost. This includes approximately 80% of work package costs with market price returns. Items of work that cannot be tendered/quantified at this point have been reviewed and values agreed with the design team – these total nearly £300,000 of provisional cost items.
- 3.11 Nearly £350,000 of Value Engineering (savings) were identified and subsequently reviewed by the Museum and Library service. Although there are a number of items to be verified, it is felt that the value of saving can be achieved.

Museum fit out

- 3.12 Anticipated additional costs of £148,000 have been identified and included in the HLF application for additional funding and included in the estimated budget expenditure. Works to allow the museum de-cant to the adjacent Watton Mount building with associated additional costs have been accounted for in the budget.

Overall budget position

- 3.13 The revised budget summary (see appendix E) shows a projected funding shortfall of £241,000. The budget includes the additional agreed funding, the CADW grant application and Powys match funding for the HLF grant.
- 3.14 In addition to the costs included in the budget, a client contingency needs to be allowed for.
- 3.15 When restoring a listed building there are no guarantees that unforeseen works will not materialise. As much as these can be mitigated against, the Council must hold a contingency outside of the contract sum and be prepared that funding requirements for the 'unknown unknowns' can materialise.

Contract price negotiation; next steps.

- 3.16 The cost consultants acting for Powys need to complete their review of the supply chain packages and work needs to continue to identify additional savings. After consideration of a recommendation report, Powys can agree the final contract price to enable the project to proceed. A process that Powys has adopted on a number of major projects can be put in place.
- 3.17 The first twelve weeks or so of the construction program is scheduled for enabling works, demolition and associated works. With the agreement by Kier that the contract values provided to date are an agreed maximum, an order be placed to the value of the enabling works only and the project can commence.

- 3.18 During the enabling works phase, the cost consultants complete their detailed review of the Kier prices, the enabling works will allow some of the provisional items to be more clearly defined and further savings can be identified and agreed. The aim to agree a price less than the previously agreed maximum. Once this phase is complete, the final contract price is agreed and the contract entered into for the entire project. The cost of the enabling works package has been compiled and Kier are ready to proceed on the basis outlined above.
- 3.19 Given a decision to proceed, Kier have indicated a 4 week mobilisation period from order receipt (say 30 May 2016) followed by the overall contract of 65 Weeks completing at the end of September 2017. It is anticipated that the internal fit out contract, museum service and library service move into the building would be complete by an estimated latest date of January 2018.

4.0 Proposal

- 4.1 The Powys capital budget contribution be increased by £500,000 to provide the balance of the match funding for the increased HLF grant, rectify the projected funding shortfall and providing a minimum level of client contingency.
- 4.2 Raise an order with Kier for the enabling works and demolition phase to allow the project to commence and during this phase, complete the detailed review of the Kier contract price, agree the final contract price and enter into contract for the entire project.

5.0 One Powys Plan

- 5.1 The Brecon Cultural Hub project will assist in the delivery of the objectives of the One Powys Plan by providing for residents of Brecon and Powys a location where they can use facilities for learning and education, access information, cultural resources, historical collections and local history records, attend events & exhibitions, enjoy social activities & community events, use meeting rooms – all contributing to leading active and healthy lifestyles. Additionally co-located services such as IT training, Job Centre Plus, Careers Wales, Youth Service, Powys Training, Library, Museum and Tourist Information will be available within the hub working together to meet the needs of local people and visitors to the area.
- 5.2 For further detail about the opportunities, value and benefits of the Brecon Cultural Hub Project, please refer to appendix A.

6.0 Options Considered/Available

- 6.1 Other options in addition to the Proposal are:

About the scheme

- 6.2 The Council has been committed to this scheme for a number of years and approved the match funding for the HLF bid and grant in 2013. The museum has vacated the building in to the adjacent Watton Mount building in readiness for work to commence. External stakeholders have also committed funding. If the project did not proceed beyond this point there would clearly be a loss of credibility, but also loss of HLF grant, and the Council would still be required to repair and maintain the grade II* listed building at considerable expense. For consideration of this option a minimum spend

of £2m but more likely at least £3m would be required to bring the building into a condition that would allow re-opening. (Detailed costs have not been prepared for this option). However, it must be stressed that this option would not achieve the same outcomes as the proposed Cultural Hub scheme.

Pursue additional cost reductions

- 6.3 Another option is to seek further ways to reduce the scheme in terms of scope, quality, and specification. As discussed in the background section of this report, a number of cost saving/value engineering exercises have been undertaken. The most notable resulting in a reduction in the size of the new building submitted as a variation to the BBNPA planning department.
- 6.4 As the project is supported by HLF, any savings must not compromise the grant conditions otherwise there is a real risk that the grant amount is reduced. The design team and service users have already explored many avenues to find more cost effective ways of achieving the HLF required outcomes and it is felt there is little, if any, room for manoeuvre left. For example, the original proposal for an expensive basement excavation has been removed from the scheme. The expensive closed control, (environmental control) to exhibition spaces to allow external loans from external galleries has been reduced from six exhibition spaces to three. BBNPA have placed requirements on the external design and material quality. Alternatives have been proposed and a number rejected. There is little scope for amendment.
- 6.5 For considerable additional savings to be found, it is considered that functionality would need to be cut and major compromises made to the proposed scheme.
- 6.6 The note of caution in pursuing fundamental changes to the scheme is that the Building Cost Information Service (BCIS) forecasts tender prices to keep rising; see appendix C. Changes would take time to review, consult on with users, stakeholders, CADW, HLF and BBNPA incurring design and procurement costs in the process. The summer period would be lost for the demolition and foundation phases with the risk of increased costs being incurred undertaking such works in the winter months.

7.0 Preferred Choice and Reasons

- 7.1 The report recommends that Cabinet supports the Proposal in this report.

Local Member(s)

Other Front Line Services

Support Services (Legal, Finance, Corporate Property, HR, ICT, BPU)

Legal: The Professional Lead-Legal has no comment to make on the proposals set out in this report save that the legal services will offer advice and assistance when required.

Finance: The Capital and Financial Planning Accountant supports the recommendation to increase the budget by £500K. It is recommended to finance this additional budget from Prudential Borrowing. The annual cost of the additional £500k funding is £25k and this will be added as an additional pressure within the Financial Resource Model in the appropriate years.”

HR: n/a

ICT: n/a

Business Support: n/a

Local Service Board/Partnerships/Stakeholders etc

Key stakeholders, including project partners & funders have been informed of and included in the process of seeking and securing additional funding and are being updated as the financial position evolves. The Brecon Cultural Hub Stakeholder Group meets regularly and reports are provided to members including updates on the cost plan, programme and VE implications on design.

Corporate Communications

The report is of public interest and requires use of news release and appropriate social media to publicise the decision.

Statutory Officers

The Strategic Director Resources (S151 Officer) notes the comments made by the Capital and Financial Planning Accountant.

The view of the Monitoring Officer is that: The Deputy Monitoring Officer notes the legal comment and has nothing further to add.

Members’ Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
That Cabinet approve the capital budget contribution be increased by £500,000 to include the funding from Prudential Borrowing.	To provide the balance of the match funding for the increased HLF grant, rectify the projected overspend and provide a minimum level of client contingency.
That Cabinet approve an order be raised with Kier Contractors for the enabling works and demolition phase. That officers and the consultant team complete the detailed review of the Kier contract price, agree the final contract price and enter into contract for the entire project.	To allow the project to commence in the summer months and proceed to completion without further delay.

Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	Cllr Paul Ashton Cllr Matthew Dorrance Cllr Geraint Hopkins Cllr David Meredith
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Person(s) To Implement Decision:	Stuart Mackintosh
Date By When Decision To Be Implemented:	N/A

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