

OVERVIEW AND SCRUTINY BOARD

13 SEPTEMBER 2016

**REPORT OF ECONOMIC
REGENERATION AND TRANSPORT
SCRUTINY PANEL -
CAPITAL PROGRAMME PROJECT
MANAGEMENT**

PURPOSE OF THE REPORT

1. To inform the Overview and Scrutiny Board of the Economic Regeneration and Transport Scrutiny Panel's findings following its short-topic investigation of Capital Programme Project Management in Middlesbrough Council.

BACKGROUND

2. This topic was included in the Economic Regeneration and Transport Scrutiny Panel's 2016-17 work programme. The panel sought to examine how the following two current major capital projects are being managed in the authority:
 - Middlesbrough dock bridge
 - Middlesbrough Town Hall restoration and refurbishment
3. Given the high value and complexity of these projects, the scrutiny panel wished to investigate what measures were in place in respect of contract monitoring/management and also budget monitoring. The scrutiny panel's findings are set out below.

METHOD OF INVESTIGATION

4. The scrutiny panel investigated this issue as a 'short topic,' examined in one meeting held on 10 August 2016. A Scrutiny Support Officer from Democratic Services coordinated and arranged the submission of written and oral evidence and arranged the witness for the investigation. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Democratic Services.
5. A record of discussions at the panel's 10 August 2016 meeting, including agenda, minutes and reports, is available from the Council's Agenda committee management system, which can be accessed via the Council's website at www.middlesbrough.gov.uk.

6. This report has been compiled on the basis of information submitted to the scrutiny panel by Council Officers and relevant outside bodies/organisations, including other local authorities, social housing providers and Teesside University.

MEMBERSHIP OF THE SCRUTINY PANEL

7. The membership of the scrutiny panel was as follows:

Councillors T Higgins (Chair), R Arundale, J Blyth, R Brady, JG Cole, N Hussain, L Lewis, M Saunders and Z Uddin.

THE SCRUTINY PANEL'S FINDINGS

8. The scrutiny panel's findings are set out below in respect of each of the agreed terms of reference.
9. Steve Fletcher, Head of the Council's Capital Programme, attended the scrutiny panel to provide an update in respect of each of the following projects:
 - Middlesbrough Town Hall restoration and refurbishment
 - Middlesbrough dock bridge
10. Information was submitted as follows in respect of the above projects.

Middlesbrough Town Hall restoration and refurbishment

11. The scrutiny panel was provided with background information in respect of this project. It was advised that the Council has secured funding through the Arts Council and Heritage Lottery Fund to assist with the £8.4m Town Hall restoration and refurbishment project. Both organisations view the scheme as a positive move towards enhancing public access to the town's history. The Heritage Lottery fund has contributed £3.4m and the Arts Council £600k towards the cost of the scheme.
12. The panel was advised that the project will allow public access to the original court room and cells, which will enable visitors to experience the building's heritage and some of its original uses. Commercial opportunities will also be available through the refurbishment and restoration of the main concert hall and the crypt. Facilities will also be enhanced through improvements to bar areas and educational/performance areas.
13. As part of its grant funding criteria, the Heritage Lottery Fund required the company undertaking the design works to have previous experience of historic and listed buildings. As a consequence, an external consultant was appointed. The consultant worked alongside Council officers to produce tender documents, which were issued in January 2016.
14. The scrutiny panel heard that the consultant's pre-tender estimate was £800k in excess of the amount of funding available for the works. As a result, the Head of Capital Programme had reviewed the specification and was concerned regarding the proposed timescale, the very high specification levels for some fixtures and fittings and the resulting price. Therefore, once a preferred bidder has been identified, the specification will be reviewed with the successful bidder to reduce the tender price. The Council is also to challenge the level of consultant's fees, with a view to reclaiming some of the costs.

15. It was also highlighted, that following a review of the tenders returned in March 2016, the specification for the Town Hall roof had caused issues for some of the tenderers. This was due to the scale of the works and the specialised skills required. The Council's Project Management Team subsequently carried out a review of this element of the project. As a result, potential contractors were provided with the opportunity to deliver presentations to the Project Delivery Team.
16. This exercise has resulted in a two stage tender process, which will ensure that all issues such as quality, time and risk management are taken into account. The first stage of the tender process has identified a preferred bidder and the second stage will be to work with the preferred bidder to meet the agreed budget.
17. The overall outcome of this process is that the proposed works to the roof will be broken down into more manageable-sized areas of work. These will be funded through future rounds of the Council's Capital Programme. The authority also intends to engage an external Chartered Surveyor to carry out a full survey of the roof, including examining underlying timbers. It is envisaged that a five year programme will be devised required in order to repair the roof and safeguard it for the future.
18. The first stage of the tender process had ended on 22 July 2016 and a 10 day standstill period was observed. A 5 week design review would follow and this would conclude on 5 September 2016 with a proposed start on site in mid-October 2016.
19. The main Town Hall (ie concert hall and crypt) was closed to the public at the end of April 2016. Since then, all of the storage areas have been emptied and furniture and fittings removed. As part of risk mitigation, asbestos removal works were taken out of the main contract, to be dealt with via a separate tender process. This tendering process was on-going at the time of the scrutiny panel's meeting, with a phased programme of work to remove the asbestos was due to commence later in August 2016. The anticipated completion date for the asbestos works is October 2016, prior to the commencement of the main 56 week Town Hall refurbishment contract.
20. It was also confirmed that the main contract for the project contains penalties for over-running. These relate to revenue that the Council would lose in terms of delay. Indemnities and warranties have also been put in place to ensure that the authority can claim against the main contractor for a twelve year period in respect of future defects.

Middlesbrough Dock Bridge

21. The Panel was reminded that, as part of the regeneration of the Middlehaven area, it had been recognised that the site required improved road links. In order to open up access to the area from the east/A66 it was proposed to provide a bridge over Middlesbrough Dock. In its 2015 final report on Middlehaven Regeneration, the Economic Regeneration and Transport Scrutiny Panel supported the provision of a swing bridge as the preferred option. This was in order to continue to allow ships to access the dock in future.
22. Since that time, discussions have been on-going in terms of the design and type of bridge to be provided. In March 2016, the Council appointed ARUP Consulting Engineers design the new dock bridge. The bridge is of a 'bascule' design - which

(although it will not be a swing bridge) means that a section of the bridge will be able to be raised and lowered to permit shipping to enter the dock. The bridge is to have

an 8m wide vertical lifting span to allow access to the dock and will have a three lane design rather than the originally proposed two lanes.

23. It was explained that the £9.5m scheme will be implemented utilising the same project management methodology and framework that used for the successful delivery of the £21m Middlesbrough Sports Village project. This will ensure that Council works with the contractor prior to committing to a formal contract and that processes are in place to oversee and monitor the contract, especially in relation to cost management.

24. The Council has worked with ARUP in an attempt to alleviate risk by carrying out a number of detailed surveys. Information obtained from the surveys has influenced the design of the bridge. The information is also to be used by the contractor to enable costing monitoring and price structure to be determined prior to any order being placed for the bridge and associated road works. Works associated with the project include:

- Provision of the bridge
- Highway adaptations
- Public realm works
- Land acquisition
- Global contingency
- Design fees, surveys and disbursements

25. A planning application for the bridge was submitted in July 2016, with a decision on the application likely in September 2016. Indications are that ARUP will complete the design stage by the end of August 2016, with contractor's costs to be received in early October 2016. This is with a view to placing the project order on 1 November 2016.

26. It was highlighted that any refinement of the project design and specification could lead to changes in the delivery programme and target costs. However, the intensive process that has been undertaken since the project's original approval by the Executive has resulted in a design which was proportionate, realistic and more comprehensive in terms of risk. It was anticipated that the works would be completed in December 2017.

CONCLUSIONS

27. Having considered the submitted information, the Economic Regeneration and Transport Scrutiny Panel reached the following conclusions:

1. Given the significant costs and high importance of major capital schemes, effective project management is imperative to ensure that such schemes are implemented in accordance with agreed budgets and timescales. The Economic Regeneration and Transport Scrutiny Panel is pleased to note that, having learned from previous projects, the Council is now taking a pro-active approach to ensure that this is the case in respect of Middlesbrough Town Hall refurbishment and development of the dock bridge; and that robust processes are in place to this effect.

2. Following 1. above, it is imperative that steps are taken to ensure that a similar approach is adopted for all future major capital projects.

RECOMMENDATIONS

28. Following the submitted evidence, and based on the conclusions above, the Economic Regeneration and Transport Scrutiny Panel's recommendations for consideration by the Overview and scrutiny Board are as follows:

1. That the pro-active approach to project/contract monitoring in respect of the capital projects in respect of Middlesbrough Town Hall refurbishment and provision of the new dock bridge is noted and endorsed by the Executive.
2. That a similar approach is adopted for all future major capital projects.

ACKNOWLEDGEMENTS

29. The Economic Regeneration and Transport Scrutiny Panel would like to thank Steve Fletcher, Head of Capital Programme, Middlesbrough Council for his assistance with its work.

BACKGROUND PAPERS

30. The following sources were consulted or referred to in preparing this report:

- Report to, and minutes of, the Economic Regeneration and Transport Scrutiny Panel meeting held on 10 August 2016.

COUNCILLOR TERESA HIGGINS

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