
ARGYLL AND BUTE COUNCIL

Bute and Cowal Area Committee

**Development and Infrastructure
Services**

6 March 2018

QUEENS HALL COMMERCIAL UPDATE

1. EXECUTIVE SUMMARY

- 1.1. This report provides the Area Committee with an update on the commercial position of the project (programme and cost), setting out: the issues that have affected the project; their forecast impact upon the project programme and budget; and what measures are available to address them going forward.

2. RECOMMENDATION

Bute and Cowal Area Committee is asked to:

- 2.1. Note the current commercial position of the project.
- 2.2. Note that the Project Manager will provide a project update to subsequent Area Committee meetings through to the completion of the works.

QUEENS HALL COMMERCIAL UPDATE

3.0 INTRODUCTION

- 3.1. The Queens Hall refurbishment and public realm enhancements are a key component of the Council's ambitious and forward-looking programme to assist regeneration and economic development in five of its waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.
- 3.2. The Capital Plan Allowance for the project, as approved in February 2016 is £11,521,000. This allowance is to cover the costs associated with the three key workstreams associated with the delivery of the project:
- **A&BC Managed Costs** (e.g. professional fees, land acquisition, statutory consents, utilities etc.)
 - **Principal Construction Costs** i.e. monies due to McLaughlin and Harvey Ltd under the contract for the delivery of the physical works and
 - **Furniture Fittings & Equipment Costs (FF&E)** – there is a separate Budget Allowance of £75,000 for the supply and installation of Soft Play equipment, which transferred to the Project Budget from the relevant Leisure Services Budget.
- 3.3. The project had proceeded on the basis that the 2016 Capital Plan Allowance was sufficient to cover all of the costs noted at 3.2. However due to a number of factors, as set out in previous reports, we consider it prudent to seek additional financial underwriting for the project through to completion, and are through the current Budget setting process, seeking a maximum additional underwriting of £400,000.

4.0 RECOMMENDATION

Bute and Cowal Area Committee is asked to:

- 4.1. Note the current commercial position of the project.
- 4.2. Note that the Project Manager will provide project updates to subsequent Area Committee meetings.

5.0 DETAIL

Project Progress and Commercial Update

- 5.1. The project is complex in nature, requiring as it does:
- The demolition of structures on the southern and eastern elevations of the Queens Hall buildings;
 - The construction of new structures on those same elevations, which must tie

into the existing structures and levels;

- Major environmental improvements to, and realignment of the adjacent road network (Pier Esplanade / Alexandra Parade / Argyll Street / Kirk Brae);
- Works to be delivered in a brown-field town centre location, which requires to maintain access for pedestrian and vehicular traffic at all times; and
- Works to be delivered in an area with significant pre-existing utility services (sewerage, water, gas, HV/LV electricity and telecoms), including a number, which were subsequently found, to be undocumented, incorrectly documented, or not in a good state of repair.

Project Programme

- 5.2. We had previously agreed an 8 week extension of time to the contract programme with McLaughlin & Harvey Ltd (MCLH), which took the Sectional Completion dates to: **Section 1 – Building**, 7-May-18; and **Section 2 – Public Realm**, 7-May-18.
- 5.3. With reference to the Contractors Delay Register (Appendix B) we have agreed the following further extensions of time:
 - **Section 1 – Building: an additional 3 weeks, which takes the handover date for the building to 28-May-18**
 - **Section 2 – Public Realm: an additional 6 weeks, which takes the handover date for the public realm to 18-Jun-18**
- 5.4. Despite having to agree the programme extensions, the works on site are making significant progress. The Programme Manager will provide a short PowerPoint presentation of progress photographs to Members on 6 March.

Project Costs and Budget

- 5.5. As previously noted the project currently has a Capital Plan Allowance of £11,521,000 to cover A&BC Managed Costs, Principal Construction Costs and FF&E Costs.
- 5.6. Due to a number of factors, as set out in previous reports, we considered it prudent to seek additional financial underwriting for the project through to completion, and through the current Budget setting process, secured a maximum additional underwriting of £400,000.
- 5.7. The current forecasts for the three costs headings is provided at Appendix A, however as these are either subject to contractual negotiations between the various parties, or procurement exercises about to commence (FF&E) we do not propose to make these publicly available as to do so could weaken the Council's commercial position. However should we be successful in securing the additional underwriting, we consider the revised Capital Plan Allowance of £11,996,000 would be sufficient to meet all of these costs.
- 5.8. We are taking a number of steps to manage costs including:
 - Regular discussions with the Principal Contractor, their sub-contractors and the supply chain to identify more costs effective solutions.
 - Design Team reviewing the specification of certain FF&E items to determine whether it is possible to purchase items of equivalent quality 'off the shelf' as

opposed to them being 'bespoke' (i.e. one-off hand built). An example of this is the main reception desk in the foyer/circulation area, where there is the potential to reduce costs by 40%-50%, without reducing the quality of the finished product.

- Utilising existing Framework Agreements for the purchase of the majority of the FF&E items. These are contracts which have been negotiated at a national level for the supply and installation of certain goods e.g. office furniture, catering equipment, IT equipment and the like. The benefit of this type of purchase is twofold: (1) costs are significantly lower because of the combined purchasing power of a number of public sector organisations working together; and (2) because the overarching terms and conditions are already agreed between the parties it is much quicker in terms of the procurement exercise and subsequent delivery of the goods.

6.0 CONCLUSION

- 6.1. The Queens Hall refurbishment and public realm enhancements are a key component of the Council's ambitious and forward-looking programme to assist regeneration and economic development in five of its waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.
- 6.2. We are now working to a building handover date of 28 May 2018 and seeking a maximum Capital Plan Allowance of £11,996,000 to cover all costs through to completion of the project.
- 6.3. The Project Manager will continue to use best endeavours, in partnership with the Contractor and Design Team, to minimise the cost and programme impact of those issues currently identified and any that may subsequently arise.
- 6.4. The Project Manager will provide project updates to each subsequent Area Committee meeting through to the completion of the works.

7.0 IMPLICATIONS

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| 7.1. Policy | To allow continued delivery of the Council's Corporate Plan and to assist in making our towns places of economic vibrancy that creates employment and prosperity for the residents of Argyll and Bute.

The redevelopment of the Queens Hall will contribute towards the outcomes set out in the Single Outcome Agreement. |
| 7.2. Financial | Approved maximum Capital Plan Allowance of £11,996,000. |
| 7.3. Legal | None |
| 7.4. HR | None |

7.5. Equalities None

7.6. Risk Further issues arise resulting in cost and/or programme impacts, affecting our ability to deliver the project within agreed tolerances.

7.7. Customer None

Executive Director of Development and Infrastructure Services

Policy Lead – Cllr Gary Mulvaney

For further information on Queens Hall Refurbishment and Public Realm works contact: John Gordon, CHORD Programme Manager, Tel: 01369 708457 or Mobile: 07901 516 106