

To: City Executive Board

Date: 9th March 2011 Item No: 10

Report of: Head of Community Housing and Community Development

Title of Report: Old Fire Station Progress Report

Summary and Recommendations

Purpose of report: To provide a progress report on the Old Fire Station project following the going into administration of the original contractor, ROK.

Key decision: No

Executive lead member: Councillor Bob Price

Policy Framework:

Corporate Plan Priorities: -

- More housing, better housing for all
 - Stronger and more inclusive Communities
 - Improve the local environment, economy and quality of life
- Homelessness Strategy 2008-2013

Cultural Strategy

Regeneration Framework

Recommendation(s):

CEB is asked to:-

- 1) Note the appointment of Kinglerlee as the new contractor of the Old Fire Station refurbishment project.
- 2) Note the measures taken, in terms of communications with PWC, the administrators of ROK, and with the loss adjustor appointed by the bondsman, to seek to best protect the Council's interests.
- 3) Note the updated programme plan and changes to key milestones in terms of both the capital and revenue programmes.

Appendices

Appendix 1 – Summary of Tender Prices

Appendix 2 - Appendix Exempt from Publication

Appendix 3 – High Level Project Programme

Appendix 4 – Project Risk Log

Background

1. The aim of the project is to refurbish the Old Fire Station to a high standard, to provide a new Crisis Skylight centre alongside flexible facilities for arts and cultural uses to be run by an Arts Company with charitable status. These will be vibrant, quality spaces that bring people together and provide opportunities which foster community integration, alongside the development of, participation in, and appreciation of various arts and cultural activities.

Summary Position

2. The redevelopment of the Old Fire Station started on site on 9th August 2010 with the building contractors ROK. On 8th November 2010 (Week 13 of a 36 week programme) ROK's Board announced that the company had been put into administration.
3. As a consequence, work ceased immediately, the building was boarded for security reasons and steps were taken by officers to ascertain the position, determine options available, mitigate cost delays and seek an alternative contractor to complete the project.
4. Following discussions with the appointed administrator, Pricewaterhouse Coopers and the loss adjuster, Tozer Gallagher appointed in respect of the bond, it was agreed that a mini-tender process from the original tender list be undertaken. As a result of the process explained in more detail below, Kinglerlee were formally appointed as the contractor to be engaged to complete the refurbishment of the Old Fire Station. This appointment was made under the delegated authority granted to the Executive Director of City Regeneration by City Executive Board on 2nd December 2009.
5. Kinglerlee started on site on 24th January 2011 with a 30 week construction programme. Together with a fit out period the revised completion date for the refurbishment of the Old Fire Station is now 3rd October 2011.

Tender Process for the appointment of the new Contractor

6. Following clarification that a buyer had not been found for ROK and neither had the administrator put forward an alternative composition of ROK to deliver the contract, a decision was taken by the Project Board to undertake a mini tender competition with the previous second and third placed tenders (from the original tender process). This was carried out in accordance with the EU Procurement Regulations and the Council's procurement procedure.
7. An approach was also received from Primus Build Ltd, a company whose employees include a number of former ROK staff, for the novation of the Old Fire Station contract following their purchase of a 60-day exclusivity agreement agreed with the administrators on 26th November 2010.

8. As a performance bond was in place up to a value of £250k, Allen Construction Consultancy (Project Manager for the Old Fire Station) contacted, on behalf of OCC, the Bond surety AVIVA on 8th of November 2010 to notify them of a potential claim on the bond. Tozer Gallagher were then appointed as Loss adjusters on AVIVA's behalf to assess the potential claim for justified losses in connection with ROK entering administration and the appointment of an alternative contractor up to the amount insured.
9. Primus Build Ltd presented an offer to take over the contract for the Old Fire Station with the minimum of delay and extra cost with the full support of PWC and AVIVA. Their offer was made on the basis that, if accepted, no claim would be made on the existing bond.
10. At this point, the Council had the option of novating the existing contract to Primus Build Ltd or accepting one of the two tenders.
11. The project team evaluated the two mini tenders and carried out an up to date assessment of the financial health of the two bidders to ensure that this had not changed since the original tender had been carried out. This was then evaluated against the tender proposal submitted by Primus Build Ltd.
12. Following a detailed evaluation of the two tenders and the tender price submitted by Primus Build Ltd the Project Board recommended that Kingerlee (who were one of the two tenderers) be awarded the contract to complete the works as their submission provided the best overall value as well as being the lowest price.
13. A summary of the tender prices is given in Appendix 1.
14. The loss adjuster has confirmed that they will support the most commercially advantageous offer which the detailed assessment above verifies.

Impact on Budget Implications

15. Details of the current budget situation are set out in Appendix 2 which is exempt from publication.

Impact on Project Timeline

16. Attached in Appendix 3 is the project's high level project plan showing revised dates and milestones showing the overall delay to the project of circa three months.

17. In terms of key milestones, the revised dates are:-

Re-start on Site	24/01/11
Practical Completion/Handover	22/08/11
Float Period	2 weeks
Fit Out Migration Starts	05/09/11
Completion and Opening	3/10/11

Impact on the Arts Company

18. The Arts Company has made significant progress and is now registered as a charity with the Charity Commission.

19. A management agreement has been signed between the City Council and the Arts Company and a sub-lease setting out the terms of the Arts Company's occupation of the building is currently being prepared for Crisis in partnership with the Arts Company.

20. Jeremy Spafford has been appointed as the Director of Arts at the Old Fire Station and started in post on 1st February. All other staff recruitment has been delayed due to re-profiling to align with the adjusted capital programme.

21. Key tasks are as follows:-

Task name	Deadline
Finalise operational policies	06/06/11
Recruitment of other staff	29/07/11
Pre-opening activities, training and planning	29/07/11
Sign off contracts/hire agreements	31/08/11
Staff training and induction	05/09/11
Office systems set up	30/09/11
Opening	03/10/11

Impact on Crisis Skylight

22. Skylight continue to make progress in terms of the Skylight and café business planning and the new Head of Skylight, Kate Cocker has been appointed and will start in post in late March 2011.

23. Key tasks are now as follows:-

Task name	Deadline
Decision to be reached on building management model	11/04/11
Skylight Café Business plan to be drafted	11/04/11
Regional Fundraiser to start	18/04/11
Staff induction for those recruited pre opening	19/08/11
Opening	03/10/11

Risk

24. The project's risk log for this report is attached in Appendix 4.

Climate change / environmental impact

25. There are no further climate change / environmental impact implications in this report.

Equalities impact

26. There are no further equalities impact implications to this report.

Financial implications

27. The approved project budget in the capital programme is £3,566,712.

M5015 Old Fire Station	
Spend in 2009-10	207,978
Budget 2010-11	1,601,956
Budget 2011-12	1,666,778
Budget 2012-13	90,000
Total Budget	3,566,712
Funding	
HCA Grant	2,882,293
Crisis	200,000
Borrowing	484,419
	3,566,712

28. Following ROK going into administration costs have increased by £213k. A claim will be made against the bond for these costs.

29. Currently the project is financing these costs from the project contingency of £285k.

30. Claim negotiations will continue with the insurer of the bond to seek to ensure as full a recovery as possible of all eligible losses incurred.

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