



Report sponsor: Rachel North, Strategic Director or Communities and Place and Simon Riley, Strategic Director of Corporate Resources and Section 151 Officer

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ITEM 12

Market Hall Transformation

Purpose

- 1.1 To report on progress in delivering phases 1 and 2 of the Market Hall Transformation (project), and to outline changes and developments requiring an increase in the budget for Phase 1 of the project and design stage for Phase 2
- 1.2 To seek approval to increase the capital approvals to proceed in line with the programme and avoid any unnecessary delay and consequential costs.
- 1.3 To enable continuation of the project and realisation of the Council's ambition to create a new vibrant, high quality, flexible market, appealing to a diverse customer base, at the heart of the city centre.

Recommendation(s)

- 2.1 To note additional capital requirements for the Market Hall Transformation project as outlined in paragraph 7.2.
- 2.2 To approve a virement of £4.5 million from the Future Investment Capital Budget to the Market Hall Transformation Budget
- 2.3 To note the action as set out in the confidential report.
- 2.4 To note a report will be brought to a future Cabinet, following confirmation of Future High Street Fund and final detail of Phase 2.

Reasons

- 3.1 To enable continuation of the project on programme and ensure delivery of the essential repair and maintenance works to extend the asset life of the Market Hall building.
- 3.2 To secure sufficient budget to deliver Phase 1.

- 3.3 To deliver the transformation of the Market Hall which will support the economic and cultural vibrancy of the city centre in line with the City Centre Masterplan 2030 and also contribute to the city centre's economic recovery from the effects of the Covid-19 pandemic.

Supporting information

Background Information

- 4.1 In September 2017 and January 2018, Cabinet approved a budget of £11.18m to deliver the transformation of the Market Hall through two phases of works:
- Phase 1 – To carry out essential improvement works to make the building wind and water-tight and provide a safe, maintainable roof structure with a lifespan of 30 years and;
- Phase 2 – To carry out transformational works to create a new stronger market offer.
- 4.2 In May 2020, Cabinet approved the vision and brief for the Market Hall Transformation project and received an update on progress with the project to date. The Government's Future High Street Fund (FHSF) programme was identified as an opportunity to deliver a more ambitious transformation. The Council has worked with market experts who identified where investment in the transformation of the Market Hall could create a successful retail and leisure destination that attracts a greater range and number of customers. The vision and brief approved by Cabinet in May reflected this more ambitious transformation objective.

Progress

- 4.3 Phase 1
The roof improvement works have been broken down into work packages – the first of these, including brick and stone work repairs, preliminary roof works, removal of copper and slate roof coverings and structural repairs. All of these are progressing on time and to budget.
- 4.4 This will enable a different mix of uses in the building, more substantive work packages including the replacement of the roof ridge to provide improved ventilation and fire smoke control will be delivered. This has required a complex and bespoke design and procurement process to deliver a structure that is fit for purpose but also in keeping with the heritage context of the building. This amended work package has now been designed and tendered and the market response to this tender has resulted in an increase in costs against the forecast spend position set out in the May Cabinet report.
- 4.5 An order now needs to be placed with Wates (principal contractor) to progress the remaining Phase 1 works and avoid any delays and associated cost increases. However, to place this order requires an increase to the current capital budget, paragraph 4.7 and 7.2 provides further detail on the additional requirement for capital resources and funding.

- 4.6 The contractor has confirmed that in order to safely install the ridge, the building must be vacant. In order to stay on programme and avoid incurring further additional cost, vacant possession needs to be achieved by 31 May 2021. The building will then need to stay vacant during the remaining work through to conclusion of Phase 2.
- 4.7 The forecast cost increases for the project are outlined as follows:

Phase 1 - Construction works

The forecast cost of Phase 1 works is now higher than original cost forecasts – this movement in cost has been due to:

- Design development changes – the works are bespoke to this project, there are no ‘off the shelf’ solutions and as design has progressed to a more detailed stage, the cost of the solutions required to meet the project brief has increased.
- The quantity of materials required to deliver the brief has increased during the progressive stages of design, tender and construction.
- Price returns from tendering work packages with the contractor’s supply chain have been higher than forecast.
- Additional health and safety measures have been introduced in response to COVID-19 and in light of the detailed work methodology drawn up to implement the roof works.
- The detailed condition of a historic, listed building can only be fully understood when works are on site. As works have progressed, the detailed condition of every aspect of the building has been confirmed. As a result some additional works not in the original works plan are required, incurring an additional cost.
- The programme for the project is now longer than originally forecast. There are a number of reasons for this including the complexity of survey work requiring a longer time to complete than forecast, an underestimation of the time required to complete key heritage works and the introduction of the new ridge detail which is required to accommodate the aspirations of the phase 2 transformation requirements (subject to confirmation of Future High Streets Funding).
- Additional scaffolding costs linked to extension of programme.
- Increased contingencies linked to the complexity of the refurbishment of heritage building.

Professional fees

The cost of internal and external professional fees are higher than original cost forecasts due to:

- the increase in fees proportional to the works cost increase and programme extension described above.
- the transfer of full design and build responsibility to the contractor, Wates, has incurred additional cost; and
- an element of works, which was omitted in the original costs, being included.

4.8 Phase 2

Phase 2 of the project is focussed on progressing the design of the internal layout and configuration of the market to deliver the project brief to create a flexible, vibrant destination approved by Cabinet in May. Subject to finalising a few final elements, the design for Phase 2 has reached RIBA Stage 2 – this is a concept stage and has not yet been designed in full technical detail or tendered for final costs. A brief has been produced and is ready for issue to the principal contractor to progress with further stages of design subject to Cabinet approval of the revised budget envelope. A further report will be brought back to Cabinet when the outcome of the Future High Street Fund bid is known and design has progressed further to enable greater confidence over the final programme and cost for this Phase.

Next Steps

- 4.9 The approval of additional budget as recommended in this report will enable the project to continue, specifically the following activities will be progressed:
- Transfer of full design and build responsibility to Wates (principal contractor) for the delivery of Phase 1 and design of Phase 2.
 - Continue works on site to complete Phase 1 and achieve a water-tight building, keeping the programme on track and ensuring the project does not incur any time delay costs.
 - Progress the design for Phase 2 and more detailed cost estimates.
 - Develop the operating model for the new Market Hall.
 - Finalise a review of project governance including risk and change management, to strengthen the arrangements for future delivery.
 - Other actions identified within the confidential report.

Key Project Risks

- 4.10 A project risk register is in place and regularly reviewed by the Major Property Projects Board, the key project risks are detailed in the table below;

Risk	Mitigation
Phase 1 and phase 2 design fees cost increase.	<ul style="list-style-type: none">- The principal contractor (Wates), has reviewed the Phase 1 detailed design and tendered the Phase 1 works. The costs included within this report are based on this exercise.- The transfer of full design and construction responsibility now sits with Wates.- Inclusion of contingencies in the revised cost as detailed in paragraph 7.2
Delay to Phase 1 due to the impact of Covid-19 pandemic on the construction supply chain.	<ul style="list-style-type: none">- Wates have engaged with their supply chain as part of the tendering process to assess the availability of materials and resources.

Abortive costs associated with the design of Phase 2 if Future High Street Fund is not secured	<ul style="list-style-type: none"> - In considering the proposed continuation of Phase 2 design, the Delivery Team have balanced the financial risk of incurring further costs due to a delay if Phase 2 design is not progressed and also the impact on the FHSF bid. - No further commitments will be made on Phase 2, beyond the increased budget envelope set out in this report, until a decision on FHSF is received and a further report is brought to Cabinet on Phase 2 and future operating model.
Future High Street Fund Funding is not secured to deliver Phase 2 of the Market Hall Transformation	<ul style="list-style-type: none"> - A phased delivery approach allowing for a break at the end of Phase 1 if necessary, has been adopted and alternative external funding opportunities are being explored which could include: <ul style="list-style-type: none"> o Approval of additional borrowing to deliver the full transformation project. o Securing a private sector partner as an operator who contributes capital funding to the project. o A bid for funding to National Lottery Heritage Fund or other external sources. The May 2020 Cabinet report approved the submission of external funding bids to support the delivery of the Market Hall Transformation project.
Financial risk associated with the next steps of the project	<ul style="list-style-type: none"> - The mitigation measures are set out in the confidential report.
Financial and operational implications of Phase 2	<ul style="list-style-type: none"> - Progressing Phase 2 design, as set out in this report, will enable a more detailed cost estimate of the works to be developed. - Work is on-going to prepare a Future Operating Model to understand any revenue implications. - These will be considered in the future Cabinet report and as part of the Gateway approval process for Stage 2.
Investment continuing in advance of a full Investment Appraisal review for the whole transformation project.	<ul style="list-style-type: none"> - Initial work to assess the value for money and wider economic benefit of the whole project has been completed as part of the FHSF bid. - An investment appraisal of the full Market Hall Transformation project will form part of a future

	report to Cabinet and as part of the Gateway approval process for Phase 2.
Residual maintenance costs required if Phase 2 does not proceed.	- The cost of any residual maintenance, and residual costs to close down the project will need to be considered within the Property Capital Programme and would be subject to Cabinet approval.
Public realm proposals are not affordable within the available budget.	<ul style="list-style-type: none"> - Progress design to develop a more detailed cost estimate for the works. - Align public real proposals with the Transforming Cities Programme, FHSF and the wider plans for the offer on the Market Place.
VAT partial exemption risk	- The mitigation measure for this risk is set out in the confidential report.

Public/stakeholder engagement

- 5.1 The Major Property Projects Board oversees this project and have been engaged throughout the development of the project.
- 5.2 A communications plan is in place for the project as a whole.
- 5.3 The Markets Team maintain regular communication with market traders; informally at the Market Hall office, newsletters and planned future workshops.

Other options

- 6.1 **Do not deliver Phase 2** – To not proceed with Phase 2 would result in no enhanced market offer and would undermine the FHSF bid. This option would also see the Council making a significant investment in the essential repairs and maintenance without realising the wider economic and regeneration benefits of the transformation of this historically important asset. If Phase 2 is not delivered there will be other costs incurred associated with essential repairs which are planned to be incorporated in the Phase 2 project, for example fire precaution improvements and the renewal of internal lighting to the building. The Market Hall Transformation is a key regeneration priority and will make a significant contribution to the vibrancy and economic performance of the city centre.
- 6.2 **Descope Phase 1** – Descoping Phase 1 could result in essential repair and maintenance works not being completed which are required at a later date. Phase 1 of the project has been scrutinised and options for de-scoping the project, seeking alternative design and implementation solutions have been investigated and where possible have been incorporated into the project.

- 6.3 **Descope Phase 2** – Descoping Phase 2 could result in the new Market Hall not being fit for purpose and the vision for a new modern, flexible market which support the development of a cultural cluster at the Market Place, to create a new destination in the city centre would not be deliverable.

Financial and value for money issues

- 7.1 In May 2020, it was reported that the Capital Programme has an approved budget of £11.18m to deliver the Phase 1 essential works for the Market Hall. The report indicated that this was expected to be sufficient to cover Phase 1 and to design Phase 2 of the project to RIBA Stage 4. The delivery of Phase 2 was subject to securing external funding through the Future High Street Fund.
- 7.2 Due to cost increases described in paragraph 4.7, this report seeks approval to increase the Market Hall Transformation budget to £15.878m as summarised in the table below:

Cost	May 2020 £m	Nov 2020 (£m)	Increase £m
Phase 1 Works, external and internal fees, construction risk contingency <i>Plus for revised November position</i> phase 1 client risk contingency	10.332	14.257	+3.925
Phase 2 design to RIBA Stage 4- external and internal fees	0.848	1.621	+0.773
Total	11.180	15.878	4.698
Variance following capital programme virement (£198,000) requiring funding			4.500

The above revised cost includes contingencies that will be managed through the project change control and governance processes for:

- Phase 1 construction risk register £0.96m
- Phase 1 client contingency £0.50m
- Phase 2 design fees client contingency £0.05m

- 7.3 The Market Hall budget has secured £0.198m funding towards the budget increase from a virement of uncommitted capital funding from the Building Frontage Capital Scheme. The re-allocation of this funding to the Market Hall Transformation was agreed with the funding body, Historic England. The capital programme will be updated accordingly.
- 7.4 Therefore, to complete Phase 1 and the design of Phase 2 to RIBA Stage 4, an additional £4.5m of funding is required and Cabinet are asked to approve this contribution from the Provision for Future Investment capital budget already in the approved Capital Programme.

- 7.5 Financial risks associated with the project are identified in paragraph 4.10.
- 7.6 It is proposed to split Phase 1 and Phase 2 on the capital programme to aid future budget management and reporting. Subject to this report, the Phase 2 budget will cover Phase 2 design fees up to RIBA 4 only. Phase 2 delivery will require Gateway 3 approval and confirmation of FHSF before proceeding and adding into the capital programme.
- 7.7 The financial implications on the treatment of VAT within the project is set out in the confidential report.
- 7.8 Work is on-going to finalise an investment appraisal which will identify the return on investment and value for money of the complete Market Hall Transformation project. The transformed Market Hall will also deliver wider economic benefits for the city centre; establishing a new city centre destination, creating a cluster of cultural venues incorporating the Guild Hall Theatre and Silk Mill Museum of Making and revitalising the Market Place. Initial work to assess the value for money and wider economic benefit of the whole project has been completed as part of the FHSF bid.

Legal implications

- 8.1 The legal implications of the report are set out in the confidential report.

Climate implications

- 9.1 A low carbon and energy specialist has been commissioned by the Council to advise and input into the design process. The key focus for input is on energy efficiency and electric vehicle infrastructure at the appropriate time, working alongside colleagues in Traffic and Transportation. There are elements of the roof improvement that contribute to the Council's commitment to reducing carbon emissions such as new glazing in the roof improvements.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	02/11/2020
Finance	Simon Riley	02/11/2020
Service Director(s)	Steve Caplan	02/11/2020
Report sponsor	Simon Riley and Rachel North	02/11/2020
Other(s)	Catherine Williams	02/11/2020
	Phil Derbyshire	02/11/2020

Background papers:

List of appendices: