

EXECUTIVE 14th July 2022

Report Title	Kettering Alfred East Art Gallery, Library and Museum Capital Project and Financial Update (Cornerstone)
Report Author	David Watts, Executive Director of Adults, Communities and Well-being
Lead Member	Cllr Helen Howell – Executive Member for Sport, Leisure, Culture and Tourism

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974	

List of Appendices

None

1. Purpose of Report

- 1.1 The purpose of the report is to seek approval for a budget increase for the capital programme at the Cornerstone site to bring the project to a successful conclusion in the summer of 2022. It provides a narrative as to why the budget position has changed and how this has been managed, since the last report to the Executive in March 2022.

2. Executive Summary

- 2.1 In August 2020 Kettering Borough Council secured £3,000,000 from the Getting Building Fund, which is being administered by South-East Midlands Local Enterprise Partnership (SEMLEP), this funding was match funded by the council and represents a total capital project value of £3,940,000. A further £120,100 was allocated from the Kettering Borough and NCC library property betterment budgets to bring the total budget to £4,060,100.

- 2.2 The project, formerly referred to as GLaM, aims to revitalise the cultural services within the heart of Kettering Town Centre, helping to unify the three sites including; Alfred East Art Gallery, Kettering Library and Kettering Museum. The funding will deliver significant improvements to the Alfred East Art Gallery and Kettering Library and will welcome a new two-storey extension to the rear of the Art Gallery.
- 2.3 The project has a professional team appointed to support the ambitious programme which has a series of milestones aligned to the funding drawdowns from SEMLEP, as well as a set of key outputs which are anticipated to be delivered by the project.
- 2.4 The capital works are now due to be completed in the summer of 2022 with the anticipation of the full services being mobilised in several phases over the first 6 months and being fully operational (with the exception of the Museum) by December 2022.
- 2.5 A report was brought before the Executive in March 2022 providing a wider update on the project, introducing the new brand of Cornerstone and providing wider updates on the business plan for the future use of the site.
- 2.6 The March 2022 report also provided a financial update for the capital programme and the Executive approved a contingency uplift for the capital budget of £75,000.
- 2.7 This report sets out how and why the budget challenges have become more critical in recent months and provides an update on the current financial projections.

3. Recommendations

- 3.1 It is recommended that the Executive:
 - a) Notes the content of the report which sets out the current budget challenges for the capital programme, what has changed since March 2022, and the comparison with other projects of this nature.
 - b) Approves the uplift to the capital budget of £412,000 to cover the worst-case scenarios and risks, in order to ensure there is sufficient budget to successfully complete the build in a timely fashion
 - c) Delegates authority to the Executive Member for Leisure, Sport, Culture and Tourism, in conjunction with the Executive Director for Adults, Communities and Wellbeing, to take the actions necessary to ensure successful completion of the capital project.

- 3.2 Reasons for Recommendations: Approval of the recommendations will allow the Council to ensure the capital project is successfully delivered in a timely manner and do so without exceeding approved budget whilst achieving best value.
- 3.3 Alternative Options Considered: The capital programme cannot be completed without a further budget uplift. The alternative would be to act within current budget which would mean the site would not be fully complete and may be unable to open to the public until it is complete. This will have huge reputational impact and will also mean that the Council will not be able to deliver some of the outcomes set by the external funders, which might expose the Council to the risk of not being able to draw down final claims or having to pay some of the funding back.
- 3.4 Furthermore, identified risks would not be mitigated and instructions to the contractors for variations would be hampered, as Officers have to instruct variations to mitigate risks within the approved budget. Officers cannot instruct if the budget approval is not in place. This would mean that the project would be further delayed, potentially subjecting the Council to more Extension of Time claims which would be in excess of the amount requested in this report for the budget uplift.

4. Report Background

- 4.1 On 15th September 2020, Kettering Borough Council's Executive Committee endorsed the indicative funding and recommended the additional capital budget, which was subsequently approved by Kettering Borough Council's Full Council on 23rd September 2020. A notification report was later taken to the North Northamptonshire Unitary Shadow Executive Committee on 24th September 2020, where members resolved and noted the significant investment secured.
- 4.2 The capital project's objective is to revitalise and extend the physical assets and the offer within them to become a creative and cultural anchor for North Northamptonshire. The investment has enabled the construction of a two-storey extension to the rear and between the library and Alfred East Gallery which are adjacent to the Museum – unifying the facilities, providing a blend of cultural amenity, space and teaching facilities.
- 4.3 The enhanced offer will include and enable:
- **Flexible “interactive” workspace and exhibition space** supporting creative start-ups, with wrap-around support provided by the **British Library led Business and IP Centre (BIPC)** Northamptonshire, providing the correct environment for creative and cultural businesses to start up and grow.
 - **Increased engagement with schools and educational institutions** to deliver collaborative programmes, to build curiosity, develop a pipeline of creative and cultural talent, creating future user and visitor opportunities.
 - **A new atrium space, café and improved public gardens** on the site, enabling a wider range of events and activities including commercial events and opportunities.

- 4.4 On 22nd June 2021, the Executive approved the awarding of the Main Capital Works JCT contract to GF Tomlinson Ltd, the contractor previously procured by Kettering Borough Council; and on 16th December 2021 the Executive approved a procurement process for the Concession Catering Contract at 'GLaM'.
- 4.5 On 17th March 2022 the Executive approved the contingency uplift of £75,000 requested as part of the Capital Budget report for Executive, endorsed the Cornerstone brand and noted the positive progress made to date.

5 Issues and Choices

5.1 Capital Programme

5.1.1 Works are progressing on site as follows;

- External curtain glazing and roof lights installed
- Internal studwork within the new extension complete
- Gallery ceiling painting complete
- Lift installed
- First fix M&E installation has begun
- Museum betterment works complete
- Ramp construction and brick work underway
- Hit and miss brickwork (design-type of bricks) over the new entrance underway
- Drainage connection complete

5.1.2 The original programme upon entering into contract with GF Tomlinson (GFT) targeted practical completion as 7th March 2022.

5.1.3 During the construction period, the Council has had two Extensions of Time (EOT) requests from the contractor for an additional 18 weeks and associated preliminaries. These requests have been made due to coordination issues on site relating in the main to performance issues within the design team impacting steel procurement, ductwork coordination, drainage and other items.

5.1.4 On the advice of the Council's Contract Administrator and Quantity Surveyor for the programme, two weeks with additional preliminaries were granted for the first Extension of Time, and an additional 8 weeks, without additional preliminaries, against the second Extension of Time has been offered. The two requests for Extensions of Time were deemed to be concurrent. This additional ten weeks of programme took the site completion date to 16th May 2022.

5.1.5 In advance of this date, the Council was notified in writing by the contractor of their intention to issue a third Extension of Time relating to a number of new issues, not known when the March report came to Executive, including:

- Coordination of the café services and ductwork route resulting in new steel structure requirements
- Revisions to the ramp design to the new entrance
- Coordination of services
- Doors and ironmongery schedule

5.1.6 The contractor is yet to provide further details against this claim for onwards analysis by the client-side professional team.

5.1.7 In lieu of this information, on Tuesday 17th May 2022 a commercial review took place with the client team and the contractor. The contractor has formally queried the assessment of the initial Extension of Time requests. The client-side team are in the process of reviewing their assessment for onwards clarification, but the Executive should be aware that the initial Extensions of Time requests are not yet agreed by the contractor.

5.1.8 In addition to these discussions, a review of the revised programme was tabled, which presented a revised completion date by the contractor of the end of August 2022. Both the Council's project manager and Quantity Surveyor advise that this looks credible and achievable subject to no further delays.

5.1.9 At this stage of the project, it is imperative to reach agreement with the contractors on the final delivery of the programme, including risk mitigation and any cost variations. The Council could issue a notice of non-compliance if construction needs to continue beyond the Practical Completion date of 16th May, (relevant to the first two Extensions of Time). However, this could lead to a standstill on site which is to be avoided.

5.1.9 A further commercial review was therefore deemed necessary to include substantiation against any third Extension of Time request. This review is targeted for completion by the end of June 2022 and will provide the Council with reassurance relating to programme and budget requirements necessary for successful completion of the project. The financial projections provided in this report reflect the estimated position as of the middle of June and will reflect the confirmed position as at the date this report is published.

5.2 Capital Programme Financial Projections

5.2.1. As previously reported to the Executive in March 2022, the budget has been under significant pressure throughout the project and the officer and client-side professional team have 'value engineered' throughout, whilst ensuring SEMLEP outputs would not be compromised. In addition, current, unprecedented and widely publicised, market conditions have placed additional pressure on the contractor and in turn the Council as the developer.

5.2.2 As reported in March 2022, normally for a project of this nature it would be expected that the Royal Institute of British Architects (RIBA) design stages 1 to 4 to take at least 12 months whereas they were completed in 6 to 9 months for Cornerstone in order to meet the funder's timelines. In addition, the first two Covid Lockdowns occurred during the design phases. The consequence of this is that there are ongoing design co-ordination issues on site which are

increasing costs. Like most construction projects at the moment the contractors are challenging the Council at every opportunity to minimise their costs, in an industry also affected by the economic impacts of Covid, supply chain issues, labour shortages and rising costs due to inflation, further impacted by the war in Ukraine. The programme has experienced actual Covid outbreaks on site which has led to some small delays.

- 5.2.3 In March 2022, an extra £75,000 of contingency budget was approved by the Executive. However due to ongoing coordination issues that have since emerged, and with the notice of the third Extension of Time request, in hand but without substantiation, there is now a recommendation to increase the budget to allow for additional time and to settle the further contract variations that either have already had to be made and are anticipated.
- 5.2.4 The contracted Quantity Surveyors have provided a further contingency assessment and best- and worst-case scenarios for review by Council officers. This includes allowances for additional time and coordination issues that may emerge in the final construction period. **(Please note that until all EOTs and variations are agreed this is an estimate from the Quantity Surveyor and so the maximum estimated amount is recommended for approval).**
- 5.2.5 It should be noted that when entering into contract the Council had only approximately 4% budget contingency available. To mitigate this relatively low contingency figure officers had a list of possible scope reductions which, as noted above, have now been implemented. However, any further scope reduction would impact on quality and SEMLEP outputs.
- 5.2.6 The current evaluation process undertaken to review additional budget requirement represents between 6-13% total contingency against the construction sum. This level of contingency is in line with projects of this nature which would usually seek to secure 5-10% contingency depending on the contract form. In particular, at least 10% contingency is more critical for heritage projects where the risk of unknowns cannot be fully mitigated through surveys and opening up works, and often only come to light when ground is broken.
- 5.2.7 A separate report, which will be completed towards the end of project, will highlight the setting of contingency levels and general lessons learnt for consideration by the Council for future capital projects of this nature.
- 5.2.8 In summary the current budget risks factored into the worst-case scenario are presented as:
- Extension of Time requests - until agreed with the contractor
 - Design team performance and coordination issues leading to variations and further delays
 - Delays to procuring revised steel
 - Planning nonmaterial amendment due to ductwork redesign
 - Landscaping
 - Business rates – the council are liable as the project has extended beyond 12 months- a valuation of this is awaited.
 - Additional collection storage costs

- Additional fees for prolonged snagging process
- Additional client-side fees for the extended programme

5.2.9 The risk register cost projections currently exceed the remaining contingency, £165k of risks are noted in June's risk register against a overspend projected of up to £412k based on the contractor's projection. Cashflow projections show that the project will not be overspent until then end of July 2022.

5.2.10 Based on a projected overspend of between £209k (Quantity Surveyor assessment) and £412k (contractor's projection) a recommendation has been brought before Executive to approve an uplift to the contingency of £412k. This is based on the worst-case scenario to ensure the project can be successfully completed within the next few months, without incurring further delays, which would only further increase contract costs, as well as causing reputational damage. The Council's appointed contract administration team will continue to drive negotiations on cost by robustly scrutinising all variations and additional claims, to achieve best value for the Council. If any of the additional funding is not required, it will revert back into the Council's Capital programme as underspend.

5.2.11 The uplift will be met through the use of capital reserves.

5.3 Other contractual issues

5.3.1 The design team was appointed at the outset of the project under Kettering Borough Council, via a procurement framework. Performance issues have been consistent throughout the project which resulted in a replacement contractor being appointed.

5.3.2 There have been issues across the design disciplines but most notably with the Mechanical and Engineering element. These performance issues have been raised on multiple occasions directly and at Director level with the design team. The Council is exploring whether there is a case for onwards recourse to recoup costs against variations and whether a potential future claim is to be had as a result of performance under this contract.

5.3.3 An external survey of the library roof has been completed. However, to date an internal cavity roof inspection has not been completed as this requires specialist contractors to be commissioned. This needs to take place for the Council to be able to ascertain full costs for the replacement of the roof. A full replacement of the roof was never in scope for the Cornerstone project and would not have met the criteria for the external funding secured. Once the full extent and cost of the library roof replacement is known a separate report will be brought forward in this regard.

6 Next Steps

6.1 Following the design workshops and the commercial review by the project team, all outstanding risks against the updated budget position will continue to be reviewed and reported to the Project Board which meets monthly.

- 6.2. Confirmation of practical completion date will be sought from the Contractor, estimated to be early September 2022, and successful completion of the capital project will be delivered.

7 Implications (including financial implications)

7.1 Resources and Financial

7.1.1 The additional budget will be funded through the use of capital reserves.

7.1.2 The full budget breakdown is set out in Table 1; the reduction in scope is set out in Table 2; and the full expenditure breakdown is set out in Table 3.

Table 1: Budget Breakdown

GLaM Project (original)	
SEMLEP Grant Funding	£3,000,000
Match Funding (<i>former Kettering BC</i>) GLaM Capital £100,000 Economic Dev Reserves £440,000 Town Centre Improvement S106 £100,000	£640,000
S106 (Hanwood Park)	£300,000
	£3,940,000
Existing Property Betterment	
Library Betterment (<i>former NCC Property Budget</i>)	£47,000
Stock Condition Budget (<i>former KBC Museum</i>)	£70,600
Timber Treatment (<i>former KBC Emergency Property Budget</i>)	£2,500
	£120,100
Total	£4,060,100

Table 2: Budget reconciliation

GLaM Project Spend	
Original Main Contract sum	£3,102,737
	£600,224
Professional Fees (Various contracts)	
Property Betterment	£120,100
Contingency remaining	£132,014
Client Direct costs (various)	£225,125 (fixtures, equipment, branding, comms, decant/recant etc) includes 10k contingency
Total	£4,060,100

Additional funding secured (£75k EXEC + £26,500 revenue)	£101,500
Adjustment to Library Betterment & Stock Condition Budgets (following omission of works that were directly funded)	£44,007
Revised Budget	£4,117,593

Table 3: Quantity Surveyor vs Contractor Cost Forecast June 2022

GLaM Project Spend	F+G	Contractor
Original Main Contract sum	£3,431,211	£3,634,211
Professional Fees (Various contracts)	£701,457	£701,457
Client Direct costs (various)	£193,925	£193,925
Total	£4,326,593	£4,529,593
Variance to Revised Budget	£209,000	£412,000

7.2 Legal and Governance

- 7.2.1 Best Value authorities are under a general Duty of Best Value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.2.2 Under the Duty of Best Value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. Therefore, the project must be delivered in line with best value.

7.3 Relevant Policies and Plans

- 7.3.1 Cornerstone’s objectives align with the priorities within NNC’s emerging corporate plan supporting the following objectives:

Active, fulfilled lives:

Value and support our carers and volunteers

Improve the accessibility and use of leisure, culture and sport

Better, brighter futures:

Promote better training, further education and employment opportunities for young people

Safe and thriving places:

Strengthen the cultural identity of towns, villages and rural communities

Help town centres and villages respond to changing trends

Attract tourism, visitors and inward investment

Support the creation of high-quality, better skilled jobs

Connected communities:

Respect and engage our local communities

Empower a thriving voluntary and community sector

Modern public services:

Provide good quality and efficient services valued by our customers

Enhance the services provided at our community hubs •

Use our assets, skills, knowledge and technology to make a real difference

7.3.2 Kettering Town Centre Area Action Plan:

The plan's vision is to create a vibrant heart for Kettering and focal point for North Northamptonshire. Cultural and Heritage facilities are recognised within the plan as playing a vital role, providing a powerful sense of place, belonging and acting as a key visitor draw. Cornerstone supports this objective with the provision of quality space to showcase culture, heritage and creative industry enabling people and businesses to flourish. By removing barriers to accessing cultural and creative activities, Cornerstone will contribute towards job creation, skills development and social.

7.3.3 Kettering Town Centre Delivery Plan 2018-2025:

The plan recognises that although town centres are still important shopping places, they are also important places for people to live, work and enjoy leisure time. The rich mixture of usage builds successful safe, adaptable and resilient town centres. It further identifies those plans for Kettering, such as Cornerstone, must encompass the wider view of the Town Centre as a community hub or civic heart incorporating leisure, education, arts, entertainment as well as a strong evening/leisure offer for families, young people and older generations.

7.4 Risk

7.4.1 The programme set by central Government via the funders is extremely ambitious for a project of this nature. The risk of coordination issues on site relating to the design, has led to variations to the contract which impact cost and programme. Although the majority of these items are in fact minor, the current market conditions exacerbate time and cost pressures with the contractor.

7.4.2 Without the further uplift to the capital budget there is a risk the project will over commit against approved budgets. If the uplift is not made in a timely way, then the Council will not be able to continue to instruct the contractor on site, which will lead to delays and further Extension of Time claims which will incur more cost to the Council.

7.5 Consultation

7.5.1 There is regular dialogue with SEMLEP, as the main partner funding body.

7.6 Consideration by Scrutiny

7.6.1 This report has not been considered by Scrutiny at this stage.

7.7 Consideration by Executive Advisory Panel

7.7.1 The report has not been considered in the current round of Executive Advisory Panel meetings.

7.8 Equality Implications

7.8.1 There are opportunities of positive impacts on the local community from the whole project including the local economy through employment and supply chains and social and environmental through encouraging more visitors to Cornerstone.

7.8.2 In addition to the SEMLEP commercial space output noted, new jobs creation is also a key output. Eight new jobs are required to be created by March 2024 of which 2.5 roles have currently been secured.

7.8.3 The café concession would create opportunities for employment of local people and will contribute to the SEMLEP objectives.

7.8.4 The cafe offers a town centre, accessible meeting space for the community which includes enhanced access and certified changing place toilet.

7.8.5 Thousands of visitors and service users, and all members of the public will have somewhere to meet within the facility and can be catered for.

7.9 Climate Impact

7.9.1 The contractor operates a BS EN ISO 14001:2015 accredited Environmental Management System (EMS) which is audited by UKAS approved BM TRADA and is applied to all construction sites. Included within their EMS is their Environmental Policy that demonstrates their commitment to protection of the environment in the construction of their works throughout all stages including assessment, procedures, review and audit.

7.9.2 The contractor also operates a Site Waste Management Plan (SWMP) which is based on the principles of Reduce, Reuse and Recycle.

7.9.3 The project capital works are focused on heritage buildings, all of which have listed building status. Whilst heritage buildings create limitations in relation to 'green' modifications that can be made, the project team have targeted improvements to refurbishment where possible to ensure the heritage assets are improved and restored thereby future proofing them for generations to come.

7.10 Community Impact

7.10.1 There has long been ongoing support and recognition of the need to effectively invest capital to enhance, protect and future proof the prime heritage assets for existing and future generations of North Northamptonshire. The investment has wider benefits of promoting social inclusion by improving connectivity and offering improved community access to a wider cultural, heritage and learning offer, which the public may not have previously engaged with.

7.10.2 The project will further secure long- term sustainability of the assets by strengthening the local delivery, management and improving digital connectivity. Exploring new income, funding streams, and developing new cultural and commercial opportunities to capitalise on improved facilities. For example, from Jan to March 20202, for the first time, artwork from the Tate, which has galleries in London, Liverpool and Cornwall, visited Kettering as part of the 2020 Vision exhibition at the town's Alfred East Art Gallery. Investment into improved facilities will enable future, more frequent and larger exhibitions of this calibre

7.11 Crime and Disorder Impact

7.11.1 None identified.

8 Background Papers

Kettering Executive Committee 15 September 2020 -

https://www.kettering.gov.uk/meetings/meeting/1858/executive_committee

Kettering Full Council 23 September 2020 -

<https://www.kettering.gov.uk/meetings/meeting/1861/council>

North Northamptonshire Shadow Executive 24 September 2020

[Meeting of North Northamptonshire Shadow Executive Committee on Thursday 24th September, 2020 - North Northamptonshire Council \(moderngov.co.uk\)](#)

North Northamptonshire Executive 22nd June 2021

[Link](#)

North Northamptonshire Executive 16th December 2021

[Link](#)

North Northamptonshire Executive 17th March 2022

[Link](#)