

Budget and Performance Panel

Update on the Storey Institute Project

27th November 2007

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT

To provide Panel Members with an update on the current position with the Storey Project.

This report is public

RECOMMENDATIONS

(1) That the report be noted.

1.0 Details

1.1 Cabinet approved the Storey Project after considerable discussion as a fixed price contract to be delivered through a partnering contract and managed under the LAMP methodology. The project is based on providing the minimum works necessary to get the Creative Industries Centre in place and transferred to the Storey Board for them to run. The approach delivers a number of objectives for the Council, it utilises available external funding along with Council funds to create a new set of workspaces for a growing sector and it deals with a problem building with a significant repair bill largely through the use of external funds.

It is worth saying that the LAMP process being used is working successfully in flagging up any project changes and any increasing risk. The specific issues raised relate to the potential for increased costs, the issue of an item in the forward plan for a contract to be signed and whether or not there is any unauthorised project redesign taking place.

Increased costs: The LAMP process has flagged up through its reporting process an increased risk with roofing costs. The strategy with the building was not to completely re roof the building but to focus on areas of priority need to produce a fit for purpose building. The costs for phase 1 following detailed examination are still within budget but higher than anticipated meaning that the risk of higher costs in further phases is increased. The strategy for dealing with this is to review other areas of the project to see if specifications can be reduced and to review the risk register which has a provisional sum attached to items of potential risk.

Item in the forward plan: The original contract to be used for the project was a standard partnering contract which shares any savings between the partners and is intended to provide an incentive to both partners to deliver as cost effectively as possible. The Council resolution on the Storey requires any savings to be returned to the Council and not shared so a new form of contract is required. The contractor is currently working under a letter of intent while contract documentation is finalised.

Project redesign: The project is designed to deliver a minimum specification to provide the facility. Any redesign represents a reduction in specification in order to meet other risks that may occur with the project with the aim of staying within the capped budget. The risk register represents what would, under older forms of contract, have been an unallocated contingency. In the case of the Storey the risk register has been constructed to anticipate possible risks in a building of this nature, should some of the risks not occur then there is flexibility to apply risk register funds to other risks that are highlighted.

The project is progressing as planned and the LAMP process is working as demonstrated by the flagging up of an area of increased risk. Given that the project is still within budget albeit with an increased risk regarding the roof there would be no need to seek any further member decisions at this time. The fact that the contract has still to be signed does give the Council a further decision point but cancelling the project at this stage would require an assessment of the financial risks of doing so. It is likely if the Council sought to back out at this stage that it would face claims from the contractor and possibly clawback requests from funding agencies. The independent QS is being asked to assess and quantify these risks so that should members seek a change in approach all the relevant risks can be considered. The QS assessment will be available before the contract documentation is completed for signature.

Attached as Appendices to this report are the original report that went to the Cabinet meeting on 5th June 2007 and the Minute extract relating to that item and the Storey Creative Industries Centre Highlight report, Little Roof Exception report and the Storey Main Roof Exception report.

SECTION 151 OFFICER'S COMMENTS

The S151 officer notes that this is an information report only. Given the timescales involved in Agenda production, the S151 officer was not in a position to consider any more detailed comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer notes that this is an information update only.

BACKGROUND PAPERS

Cabinet Report and Minute extract from 5th June 2007.
Storey Creative Industries Centre Highlight report.
Little Roof Exception report.
Storey Main Roof Exception report.

Contact Officer: John Donnellon

Telephone: 01524 582301

E-mail: jdonnellon@lancaster.gov.uk

Ref: JD/CD(R)