



CABINET REPORT

Report Title	Vulcan Works – Fit out and additional roof works
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AGENDA STATUS: **Public**

Cabinet Meeting Date:	24th March 2021
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Economy, Assets and Culture
Accountable Cabinet Member:	Cllr Tim Hadland
Ward(s)	Castle

1. Purpose

1.1. To update Cabinet on the progress being made on the construction and procurement of an operator for the Vulcan Works Creative Hub (VWCH) and to inform them of the required works relating to the Fit Out and additional Roof Works.

2. Recommendations

It is recommended that:

- 2.1. Cabinet notes the progress being made on the construction of the Vulcan Works Creative Hub (VWCH).
- 2.2. Cabinet approves the Fit-Out works required to open VWCH and approves the drawdown of £670,000 from the Development Pool for the completion of this work.
- 2.3. Cabinet approves the drawdown of £500,000 from the ringfenced funding in the Development Pool for the additional roofing works which have been undertaken on the project.

- 2.4. Cabinet delegates authority to the Acting Director of Economy and Assets in consultation with the Borough Secretary, the Chief Finance officer and the Cabinet Member for Regeneration and Enterprise to appoint a contractor for the Fit Out works and equipment required to open the Vulcan Works Creative Hub.
- 2.5. Cabinet notes the progress and next steps for the procurement of an operator for the Vulcan Works Creative Hub (VWCH)
- 2.6. Cabinet notes that West Northamptonshire Council will progress with the work set out within this report from 1st April 2021, having been consulted on the reports contents.

3. Issues and Choices

3.1. Report Background

- 3.1.1. In January 2019, Cabinet delegated authority to the Head of Economy, Assets and Culture, in consultation with the Borough Secretary and the Cabinet Member for Regeneration to finalise the contract terms and to appoint the main construction contractor for the Vulcan Works.
- 3.1.2. With the appointment of Stepnell Ltd, works commenced on site in March 2019.
- 3.1.3. The Vulcan Works Creative Hub will contain up to 68 new lettable units as well as co-working space, kitchenettes breakout areas and meeting rooms. The VWCH is aimed at giving creative businesses a place where they can be based and collaborate.
- 3.1.4. The VWCH aims to expand and develop Northampton's Cultural Quarter and Enterprise Zone by establishing new creative activity on a site accessible and visible to the public - showcasing artists at work.
- 3.1.5. The VWCH is anticipated to increase footfall and economic activity in the Enterprise Zone and improve graduate retention in the town. The centre will also attract highly skilled entrepreneurs and employees to the area. This is more important than ever as Northampton works towards its economic recovery from the Covid pandemic.
- 3.1.6. The businesses in the Vulcan Works will be offered on site business support which will be provided as part of the Management Operator's remit. This will help to ensure businesses thrive and grow. Supporting businesses as we head out of the Covid pandemic is part of the recovery plan for Northampton to help nurture and grow businesses which may have been detrimentally affected by the current situation. VWCH will help to encourage economic growth in a time when it is needed most.
- 3.1.7. The project comprises the part demolition of areas of the site, the refurbishment of the Vulcan Works workshops, Fetter Street stores and the Weights and Measures building as well as providing two new buildings in

Angel Street (three floors) and St Johns Road (four floors). The work is progressing well with much of the major structural work now complete.

- 3.1.8. Following a difficult year for all projects, the Vulcan Works contractor has remained on site and operational throughout all the Lockdown periods. Social distancing and other health and safety measures have been put in place in line with Government Guidance and progress has continued all be it at a reduced capacity.
- 3.1.9. The project has seen the refurbishment of the Guildhall Road Block which has ensured many of the original features have been retained. The Victorian Workshops are an impressive sight with their high ceilings, original restored wooden trusses, rooflights and restored original brickwork.
- 3.1.10. The Fetter Street Stores have been separated into 8 workshops and the high maple boarded ceilings and spacious units will work perfectly as a creative space.
- 3.1.11. The two new build blocks are now almost complete and are in decoration stage with St Johns Block estimated for completion by the end of March. The remainder of the works are progressing well and are due to complete in early Summer 2021.
- 3.1.12. The Vulcan Works forms a key part of the plans for the economic recovery from Covid and will have a big impact for local businesses. Any delays of the opening of the centre will have a detrimental effect on this element of the recovery plan. The centre needs to be in a position to support businesses as soon as possible.

3.1 Fit Out

- 3.1.1 The Council had hoped to get a Management Operator appointed prior to the completion of the project on site to assist with the Fit Out of the building but due to the increased pressures as a result of Covid this has not been possible. The Management Operator would usually be involved in the outline and requirements of the Fit Out works. However, the Council is keen to ensure that the Vulcan Works can be occupied as soon as possible following Practical Completion which requires the Fit Out works to commence as soon as possible.
- 3.1.2 The Fit Out of the units will ensure the units are fully lettable. This will include the basic requirements for an office/working space..
- 3.1.3 The Accommodation Schedule for the Vulcan Works has helped to inform the Business Case and outlines the number and sizes of the units and the capacity. Based on the numbers given, the Vulcan Works can accommodate c320 (based on 10 sqm per person) people throughout the building using office space, co-working space and meeting rooms. In addition to this there are corridors, plant rooms, toilets, showers, tea points etc. Some of these elements will be completed as part of the wider construction project, however, some will require additional fit out working in conjunction with the appointed Management Operator.

- 3.1.4 A Business Case has been completed which outlines the full breakdown of the Fit-Out costs. These costs were not initially included within the project costs as the focus was on the construction of the physical building. The funding for this element of the project was ringfenced in the Development Pool to allow for this to be undertaken once the project was complete.
- 3.1.5 For the VWCH to be fully lettable as close to Practical Completion as possible, £670,000 is required to be drawn down from the ringfenced funds within the Development Pool.
- 3.1.6 If the drawdown is approved, the next steps would be to procure and deliver the required works relating to the Fit Out of the building. The Council envisages the Management Operator assisting with this following their appointment.
- 3.1.7 The tender process for the Management Operator is in progress and it is expected that the Management Operator will be on board in May 2021.
- 3.1.8 The tender for the Fit Out will be undertaken in two elements. The first is to be delivered as a Variation to the existing works contract, for example the signage can be designed by Purcell, our existing Design Team and installed by the contractor Stepnell. Explorative works have already begun with the Design Team and works can begin on this element immediately should this funding be approved to be released by Cabinet. The second will cover the furniture/equipment element and a specialist company will be procured to supply and install all the Fit-Out works. This company will work with the projects Design Team to ensure the final overall look and feel of the VWCH is in keeping with the original design concepts. If approval is given to release the ringfenced funds, the procurement process will begin to ensure works can start on the Fit Out as soon as possible following Practical Completion.
- 3.1.9 The internal physical Fit Out of the project cannot commence until Practical Completion, however, Designs for internal furniture etc can begin prior to this based on Drawings and site visits. The signage can be designed and installed while the Contractor is still on site.

Next Steps

- 3.1.10 The next steps for the full Fit Out works would be as follows:

Process	Estimated Timeframe
Spec out the works	April 2021
Tender Process	April 2021 - May 2021
Appoint Contractor	June 2021
Undertake works	June 2021 – October 2021
Fit out works complete	October 2021

- 3.1.11 Elements such as the signage are already in progress with the existing design team looking at potential options.

3.2 Additional roofing works and delays

- 3.2.1 £500k of funding has previously been ringfenced in the Development Pool to cover unexpected additional roofing works which have been required due to the poor condition of the roof and trusses.

- 3.2.2 In September 2019, Stepnell, the project contractor, identified that there were two critical paths running through the project. Works identified as being on the critical path are elements which will need to be completed prior to other major elements being able to commence. Therefore, any delays to those works can cause delays to the overall project. The completion of the Guildhall Road roofs was on the Critical Path as follows:

“Completion of the Guildhall Road roofs allowing the temporary roof (covering the existing roofs) and the supporting external scaffolds to be dismantled. The scaffold installed within the Victorian Workshops (i.e. to the west of the Guildhall Road roofs) is particularly important.”

- 3.2.3 The Guildhall Road buildings and the Victorian Workshops are listed buildings. Due to the highly technical and delicate works which were required, a large temporary roof was erected over the Guildhall Road buildings. Due to the structural and wind loadings applied to the temporary structure, the support scaffold was buttressed – both to the east (in Guildhall Road) and to the west (into the Victorian Workshops). This meant that the scaffold occupied part of Guildhall Road (which was partly closed), as well as a zone of approx. 7m in depth at the rear of the Guildhall Road buildings (in the Victorian Workshops area). This internal zone could not be progressed until the scaffolding was dismantled.
- 3.2.4 The roof and trusses were in a much worse condition than originally anticipated. Once the existing roof finishes had been removed the condition of the existing structural timbers became evident. Instructions were given to carry out an assessment of the condition of these roofs and there was a long period of time when little happened due to the consideration of wholesale replacement of the roof timbers, and the need to provide safe access for inspections as well as further inspections and discussions.
- 3.2.5 Clear instructions were issued to Stepnell and they advised that an overall period of 16 weeks was required to mobilise resources, carry out the increased scope of works to the roof timbers and recover the roofs with new finishes.
- 3.2.6 The additional surveys which were required resulted in an increased scope of works to the existing timber roof trusses in the Victorian Workshops. The Provisional Sum allowance was inadequate to cover these surveys and additional works.

3.2.7 The issues which have accumulated, the additional costs and delays to the roof include:

- Delayed start to the re-roofing over the Guildhall Road buildings due to the requirement for surveys and inspections.
- Health and Safety - roof "D" (covering 38 Guildhall Road) was of serious concern. The existing roof timbers were in poor condition. Stepnell stated that working on top of these roofs was a health and safety issue and that the safe approach was to erect a scaffold from which access from below was possible.
- Technical issues – Stepnell's roofing contractor was concerned about the repairs and their durability to support the large roof tiles. This resulted in some of the trusses which had planned to be repaired needing replacing incurring further cost and delays.
- Additional Drawing works – Purcell were instructed to undertake additional drawing works for the roof construction. BEC Building Services Consultants were also asked for technical drawings to accompany these.
- Delay to the installation of the temporary roof due to the issues on the Fetter Street temporary roof whereby Stepnell's design assumed that the existing building could be used to support the necessary temporary works.
- Inclement weather affected roofing and bricklaying progress

3.3 Procurement of a Management Operator

3.3.1 The procurement of a Management Operator to run and manage the facility was hoped to have been completed by the end of 2020 but due to pressures caused by COVID-19, this delayed progress, it is now envisaged a Management Operator will be appointed by the Summer 2021.

3.3.2 In January 2019 Cabinet, pursuant to recommendation 2.6 delegated authority to the Head of Economy, Assets and Culture to commence the procurement of an operator through Ridge and Partners LLP to manage the completed Vulcan Works. Cabinet were advised they would receive a further report on the outcomes of the procurement process and approval sought for the award of contract.

3.3.3 The Council is now undertaking the procurement of a management operator for the supply of services for the day-to-day operation and management of the VWCH.

3.3.4 The Council will procure the project using the Competitive Procedure with Negotiation (CPN) under the Public Contracts Regulations 2015 (as amended), which provides the opportunity for a structured approach to the procurement.

3.3.5 The procurement process will ensure an experienced and value for money operator will be appointed to ensure that the Vulcan Works Creative Hub meets its key performance indicators such as:

- Supporting 116 businesses by Year 5.
- 75 new businesses created by Year 5.
- 295 gross direct and indirect jobs supported by Year 5.
- £18m of net additional GVA generated by Year 5.

3.4 Issues

3.4.1 The Fit Out is imperative to ensure that the Vulcan Works can be occupied. The VWCH is flexible, managed workspace for start-ups and established growing businesses. Managed workspace is expected to be furnished as part of the offer. Based on similar models, the Management Operator and Businesses moving into the VWCH would require furniture as part of the offer. Without these fit out works, the centre would remain empty. For each month that the Vulcan works is delayed in opening there will be income lost of approximately £50,000.

3.4.2 This is key project in terms of bouncing back from Covid and the future economic recovery of the Town and wider West Northamptonshire. The space in creating the incubator facilities and wider business support offer, while the centre is not open it will hamper the local economic recovery and the Council's ability to offer further support to those businesses that need it.

3.4.3 The initial project budget did not account for the extent of additional roof works and delays attributed to the Victorian Workshops. The funding in the Development Pool was ringfenced once a greater understanding that additional works and time may be required to deliver the roof works. The current project budget will not be able to absorb these costs which is why the ringfenced funding is now being requested.

3.4.4 Due to the dissolution of Northampton Borough Council and the formation of West Northamptonshire Council, if the procurement of a management operator is undertaken in a timely manner and approved then there will be no executive in place until June 2021, which will delay the procurement of a Management Operator and their involvement in the project which affects the fit out and marketing of the facility.

3.5 Choices (Options)

Options for Ringfenced Funds for Fit-Out

3.5.1 Cabinet could choose to release the ringfenced funding within the Development Pool for the Fit-Out works. This would allow the VWCH to be fully lettable as close to Practical Completion as soon as possible to begin income generation for the building.

3.5.2 Cabinet could choose not to release the ringfenced funding within the Development Pool for the Fit Out works. If funding is not secured for the Fit-Out

works, the centre would remain empty until alternative funding could be sought, of which there is currently none available. Delaying the occupancy of the VWCH would in turn delay income generation for the project. This approach is not recommended.

Options for Ringfenced Funds for additional roofing works

- 3.5.3 Cabinet could choose to release the ringfenced funding within the Development Pool for the additional roofing works. This would help to cover the budget overspend related to unforeseen additional roofing works required within the project due to poor condition.
- 3.5.4 Cabinet could choose not to release the ringfenced funding within the Development Pool for the additional roofing works. The funding for the roofing work has already put a big strain on the project budget and additional funding would need to be sought to cover these costs. Again, there is nothing available at present which would delay the delivery of the project further and as a result, delay the occupation and income generation. This approach is not recommended.

Options for Ringfenced Funds for delegated authority

- 3.5.5 Cabinet could choose to delegate authority to the Acting Director of Economy and Assets in consultation with the Borough Secretary, the Chief Finance officer and the Cabinet Member for Regeneration and Enterprise to appoint a contractor for the works and equipment required to open the VWCH which will allow the successful procurement of a management operator and for them to be involved in the final stages of the hub and the marketing of the facility to future tenants.
- 3.5.6 Cabinet could choose not to delegate authority to appoint a management operator for the facility which would mean that as an executive is not in place until June 2021, the appointment of a management operator would be delayed and they would not have involvement in the final stages of the projects which affects the fit out and marketing of the hub, impacting on the success and effectiveness of the project.

4 Implications (including financial implications)

4.1 Policy

- 4.1.1 A re-developed Vulcan Works will positively contribute to the delivery of SEMLEP's recently announced Strategic Economic Plan (2017), the South East Midlands Local Industrial Strategy (July 2019), the achievement of economic growth outlined in the Cambridge – Milton Keynes – Oxford Corridor and, of course, to the Council's own Cultural Quarter outlined in the recently developed town centre master plan. It would, in particular, promote the continued development of the Cultural Quarter and also contribute to the achievement of Enterprise Zone economic development targets.

4.2 Resources and Risk

- 4.2.1 The need for this funding was identified as part of the 2019-20 budget setting process. As a result, £0.5m for the additional roof works and £1m for the fit out were itemised within the Development Pool for that year and carried forward as part of the 2020-21 budget. The purpose of the Development Pool is to identify likely future calls on the Council's capital programme. In this case, it was known that these costs would be needed in order to complete the project.
- 4.2.2 There are a number of financial risks associated with the project relating to both capital and revenue expenditure. They are identified in the following paragraphs.
- 4.2.3 The approved capital budget available for the project includes £6.3m Local Growth Funding and a further £3.062m European Regional Development Funding.
- 4.2.4 There is a risk that the building may not be occupied as quickly as anticipated or that the anticipated rentals are not achieved. This risk has been mitigated, in so far as it is possible to do so, by taking consultant advice about what the local market is reasonably likely to bear and incorporating these assumptions into the underlying financial modelling for the scheme. The Management Operator will also have a requirement to meet these anticipated levels of occupancy and rental levels.
- 4.2.5 In order to deliver the financial performance that is expected and necessary for the project to repay the borrowing required, the VWCH will need to be occupied as soon as possible. These two sets of ringfenced funding will help to achieve this.

4.3 Legal

4.4.1 As the VWCH is a new high profile enterprise, the Council has sought external legal advice and this has been reflected in the Council's approach to the key aspects of the procurement of a management operator for the VWCH together with assistance in providing the procurement documentation, management agreement and lease.

4.4.2 The procurement and appointment of a Fit Out Contractor must be undertaken in accordance with the Council's Contract Procedure Rules. Where specialist construction advice is required this must be sought from external advisors.

4.4 Equality and Health

4.4.1 The new-build elements of the scheme (Angel Street and St Johns) are fully accessible with lift access to all floors and Part-M compliant staircases.

4.4.2 The refurbishment of listed construction areas have taken all opportunities to greatly improved the access across the site, including the provision of shallow

ramps and a lift provision to the Fetter Street side to gain access to the upper floor.

- 4.4.3 An equality policy for the completed facility will be developed in partnership with the recommended operator and will be implemented by the management company.

4.5 Consultees (Internal and External)

- 4.5.1 Various consultations have been undertaken with existing operators and businesses who may use the centre to understand what they would expect to see in the fit out of a centre of this type
- 4.5.2 Ridge, the external project manager and Purcell the Architect for the project have also been consulted and have advised on the costs and requirements within the business case.
- 4.5.3 SEMLEP and MHCLG have been consulted in relation to our latest position, our outputs and programme milestones as outlined in this report.
- 4.5.4 The Executive Director for Place & Economy and the Assistant Director for Growth and Regeneration at West Northamptonshire Council have been consulted.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Outputs required for South East Midland Local Enterprise Partnership under the Local Growth Fund are:

Primary Outputs	2014 Target
Business Units	59
Business Support	116
Businesses Created	25
Construction Jobs (16 week contracts)	286
Direct Jobs Created	174
Indirect Jobs Created	261

- 4.6.2 The primary outputs required for the European Regional Development fund is that the Vulcan works will be renovating and building 5,375m².
- 4.6.3 The further development of the designated Cultural Quarter remains a key priority as part of the recently agreed Town Centre masterplan and the redevelopment of the Vulcan Works would help to take this forward.
- 4.6.4 The Vulcan Works also sits within the boundary of the Northampton Waterside Enterprise Zone and the redevelopment will provide new business space, particularly for SME's focused on the creative & digital sector. Northampton has a competitive advantage within this sector and this would assist businesses to

develop and grow and, in the process, create new employment opportunities for people in the local area.

4.6.5 The fit out will assist in achieving the required outputs above in terms of businesses and jobs.

4.7 Environmental Implications (including climate change issues)

4.7.1 This has no impact and does not relate to the Climate Emergency motions passed at full Council in June 2019.

4.8 Other Implications

4.8.1 None identified.

5 Background Papers

5.1 The Vulcan Works Northampton- Update and appointment of main construction contractor - Cabinet Report dated 16 January 2019.

5.2 Creation of a Creative Industries Hub: Report of the Director of Customers and Communities, Cabinet Report, June 11th 2014.

5.3 Vulcan Works Redevelopment- Phase II: Report of the Director of Regeneration Enterprise and Planning, Cabinet Report, May 11th 2016;

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