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ADDITIONAL CIRCULATION



To: Councillor Lumsden, Convener; Councillor Graham, Vice Convener; and Councillors Allard, Cameron, Councillor Donnelly, the Depute Provost, Jackie Dunbar, Flynn, Houghton, John, Laing, Macdonald, Catriona Mackenzie, Nicoll, Reynolds, Sellar, Townson and Yuill.

Town House,
ABERDEEN 30 November 2017

FINANCE, POLICY AND RESOURCES COMMITTEE

The undernoted items are circulated in connection with the meeting of the **FINANCE, POLICY AND RESOURCES COMMITTEE** to be held here in the Town House on **FRIDAY, 1 DECEMBER 2017 at 1.00 pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

REQUESTS FOR DEPUTATION

- 4.1 Requests for Deputation (Pages 3 - 6)
- 8.15 Aberdeen Art Gallery Redevelopment and Provost Skene's House Refurbishment and Museum Progress (Pages 7 - 18)

EXEMPT / CONFIDENTIAL BUSINESS

- 9.13 Aberdeen Art Gallery Redevelopment and Provost Skene's House Refurbishment and Museum Progress - Exempt Appendix (Pages 19 - 22)

Should you require any further information about this agenda, please contact Mark Masson, tel. 01224 522989 or email mmasson@aberdeencity.gov.uk

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Request for Deputation

Name Stewart Aitken, Artistic Director/CEO - Aberdeen International Youth Festival

Committee Finance, Policy and Resources

Agenda Item 8.13 - Year of Young People Cultural Award Programme - ECS/17/071

The action I wish the Council/Committee to take

I would like the Committee to make an amendment to the recommendation of the report. I will be requesting that the Committee award transitional financial support to Aberdeen International Youth Festival (AIYF) in 2018/19 & 2019/20 which will allow us to deliver a major Year of Young People project, which we have been developing with Visit Scotland in 2018 and also enable us to build on this project to continue to grow the community youth involvement with the organisation as a legacy the Year of Young People initiative. This transition support would also allow AIYF some financial stability to complete the transition to a SCIO and develop a new business and artistic model and plan going forward.

If the Committee is unable to support this request on the day, it is very unlikely that we will be able to deliver a Year of Young People project in the city, and the future viability of AIYF will also be in question.

Please note that in submitting a deputation your name will be placed in the public domain and recorded in the minute.

Return by email to committeeservices@aberdeencity.gov.uk or by post to:

Head of Legal and Democratic Services
1st Floor
Town House
Broad Street
Aberdeen
AB10 1AQ

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Request for Deputation

Name Torry Heritage Group (David Fryer plus two others)

Committee Finance, Policy and Resources (1st December 2017) CHI/17/226

Agenda Item Disposal of Former Victoria Road School

The action we wish the Council/Committee to take

- 1** Abandon all plans for disposal and demolition of all site buildings
- 2** Adequately secure all the buildings and the site itself
- 3** Open up a dialogue with community organisations for retention and restoration solutions that meet local needs to include
 - A** Housing options
 - B** Small business/enterprise options
 - C** Torry history and maritime heritage
 - D** Local learning and community spaces

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SUBMISSION OF LATE REPORT

NAME OF COMMITTEE : FP&R

DATE OF COMMITTEE : 1 December 2017

TITLE OF REPORT : Aberdeen Art Gallery Redevelopment and Provost Skene's House Refurbishment and Museum Progress

Please explain why this report is late.

Late availability of information

Please explain:

- why this report must be submitted to the next meeting of the Council/Committee; and
- why it cannot be submitted to a meeting of the Council/Committee at a later date.

Continuing discussions with contractor and providing the most up to date information to Committee. To inform actions with regard to Contractor's claim

Director Gayle Gorman

Date 27 November, 2017

The following section must be completed by the Convener where a report must be submitted less than three clear days¹ before a meeting of the Council/Committee.

By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.

An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.

Please explain why you are of the opinion that the item should be considered as a matter of urgency.



Convener D Lumsden

Date 26/11/17

Please note that under Standing Order 12.9, the Head of Legal and Democratic Services may refuse to allow any item of business on to the agenda or may withdraw any item of business from an agenda, following consultation with the Convener and Vice Convener.

¹ For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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ABERDEEN CITY COUNCIL

| | |
|---------------|--|
| COMMITTEE | Finance, Policy and Resources |
| DATE | 1 December, 2017 |
| REPORT TITLE | Aberdeen Art Gallery Redevelopment and Provost Skene's House Refurbishment and Museum Progress |
| REPORT NUMBER | ECS/17/072 |
| DIRECTOR | Gayle Gorman, Director of Education and Children's Services |
| REPORT AUTHOR | Scott Davidson, City Centre Programme Manager |

1. PURPOSE OF REPORT:-

- 1.1 Committee approval is sought for the approach and actions relating to the resolution of programming and budgetary issues of the cultural programme; with particular regard to the Aberdeen Art Gallery (AAG) redevelopment and Provost Skene's House (PSH) refurbishment (incorporating the Hall for Heroes).

2. RECOMMENDATIONS

2.1 That the Committee –

- a. Note the amended programme for the Aberdeen Art Gallery redevelopment as presented in paragraphs 3.7 and 3.8 of the report.
- b. Instruct the Head of Finance, following consultation with the Convenor of the Finance, Policy and Resources Committee, to identify funding options for the additional costs of Aberdeen Art Gallery redevelopment and Provost Skene's House refurbishment as presented in Section 4 of the report and submit to the Council's budget setting meeting on 19 February, 2018.
- c. Request the Chief Internal Auditor to include the Aberdeen Art Gallery in the internal audit of capital governance.
- d. Approves Option 3 in regard to the refurbishment of Provost Skene's House as detailed in the exempt Appendix of this report and delegates authority to the Interim Director of Communities, Housing and Infrastructure, following consultation with the Head of Commercial and Procurement Services, to undertake a tender process for the procurement and thereafter award of contract to undertake internal and external works.

- e. Approve the total estimated expenditure for Provost Skene's House refurbishment as detailed in the exempt appendix to this report.

3. BACKGROUND AND MAIN ISSUES

Aberdeen Art Gallery (AAG) Redevelopment

3.1 With regard to AAG redevelopment the following considers:

- The Capital Programme Governance Review.
- The Programme Management Office (PMO).
- Current programme issues and their resolution.
- Current budgetary issues and their resolution.

3.2 For clarity, the roles in the AAG redevelopment are:

- Client – Aberdeen City Council
- Project Team
 - Client's Project Manager – Faithful and Gould (from August 2017)
 - Client's Project Manager – Art Gallery & Museums Manager, Education and Children's Services (to August 2017)
 - Client's Project Sponsor – Head of Policy, Performance and Resources, Education and Children's Services (from November 2016)
- Contract Administrator – Hoskins
- Project Quantity Surveyor – AECOM
- Client's Claims Consultant – Faithful and Gould
- Contractor – McLaughlin & Harvey

Capital Programme Governance Review

3.3 Following the review of the capital programme the Audit, Risk and Scrutiny Committee at its meeting on 27 June, 2017 resolved, amongst other things, to:

“Note the amended governance arrangements for Strategic Infrastructure Plan and Capital Plan delivery...incorporating the delivery of City Centre Masterplan projects within these governance arrangements.”

3.4 These governance arrangements have been implemented promoting robust project management for AAG and PSH through the City Centre Masterplan Board.

Programme Management Office (PMO) Review

3.5 In July 2017, the PMO undertook a review of the cultural programme that included the AAG redevelopment. Principal conclusions, with regard to AAG, were:

- The project team and Contract Administrators (Hoskins) were aware of an emerging issue with progress against plan since January 2017 and an opportunity may have been lost to act quickly and minimise the impact.
- Project governance was inconsistent; particularly during 2017.
- Invest in project management to ensure adequate and appropriate resource.
- Appoint a claims consultant to manage issues arising from contractor's claim.
- Review project budget
- Review project programme

3.6 In order to address these matters, the City Centre Masterplan team took on a programme role in July 2017 with Faithful and Gould appointed as Project Managers in August, 2017 and as Claim Consultants in October, 2017.

Project Programme

3.7 The construction programme is under review and key items for consideration are:

- Main Construction Completion – the current contract completion was due in May 2017. This was extended from the original date of March 2017 due to discoveries on site. However, completion of construction works is impacted by contractor performance, site discoveries, design issues and governance issues. The contractor indicates an end of February 2018 completion. It is realistic and prudent to extend the construction completion into March 2018 due to ongoing programme slippage.
- Fit-out Works - The fit-out programme is 9 months. Assuming the construction contract completes in March 2018, completion of fit-out would be December 2018.

3.8 This suggests an opening in January 2019.

3.9 Options to mitigate delay could be focused around the fit out programme and would involve:

- Commence fit-out earlier – the fit-out works could commence earlier than the construction completion date. However, access to site is limited and co-ordination issues could result in additional programme delay and increased risks and liability resulting from co-ordinating two contracts on the same site. This represents an unacceptable risk in the view of the Project Manager.
- Reduce fit-out programme – this would potentially bring forward completion; but the programme involves numerous concurrent activities and would present a risk for further delay and/or quality issues if further concentrated as complexity would increase. This represents an unacceptable risk in the view of the Project Manager.

3.10 Risks to the construction programme is:

- Programme delay – there remains an ongoing risk that the construction programme continues to lose time and completion moves beyond March 2018. As a clear and present risk, mitigation actions are in place of:
 - All change requests have been ceased and any operational changes are reviewed and confirmed by the Project Manager before issue.
 - A programme review workshop was held 23 November 2018 to interrogate the programme and measure robustness of activities and timescales. This confirmed the revised programme and applied an action tracker for monitoring; although some issues emerged that will require effective management and delivery.
 - Senior council officers have engaged with the contractor in discussions to agree solutions on programme and quality. This has elicited a commitment from the contractor to appropriate on-site leadership to see construction programme to completion.

Budget

- 3.11 The original capital budget was £30 million; of which the construction budget was £22 million. Fixed contributions of £10 million from the Heritage Lottery Fund (HLF) and £10 million through fund raising (of which £3.35 million has been donated) have been budgeted. The remaining contribution of £10 million was identified from Council's non-housing capital budget.
- 3.12 The contingency within the Council's £10 million budget was able to incorporate the original extensions to the construction completion date and agreed changes on the project. This contingency is spent.
- 3.13 It has been agreed, through FP&R Committee resolution, to underwrite the philanthropic and public campaign of £10 million. Currently, this is approximately £6.65 million and will be subject to separate reporting on progress to the Committee or its successor in the early part of 2018.

- 3.14 The Contractor has submitted claims for additional works and for delay and disruption, which are disputed and in negotiation.
- 3.15 Additionally, provision has been forecast for £0.5 million of additional fit-out costs as a result of delay and disruption. This will be reviewed and assessed as part of the project management.
- 3.16 These budgetary considerations will be considered at Council's budget setting meeting on 19 February, 2018

Actions to Progress

- 3.17 Negotiation is currently progressing with the Contractor in respect of the cost overrun and ongoing delays.
- 3.18 A Claims Consultant – Faithful and Gould – has been appointed to undertake an initial review of the robustness of the Contractor's delay and disruption claim. Discussions are ongoing with regard to the additional works/variations led by the Project Manager.

Provost Skene's House (PSH) Refurbishment and Hall for Heroes

- 3.19 With regard to PSH refurbishment and Hall for Heroes the following considers:
- Project establishment and progress
 - The Programme Management Office (PMO) review of July 2017.
 - Project Business Case

Project Establishment and Progress

- 3.20 At its meeting on 20 September 2016, The FP&R Committee noted that

"The redevelopment and transformation of Provost Skene's House provides an opportunity to extend and enhance the cultural offer for local residents and visitors to Aberdeen and to extend its reach to new audiences ... It is therefore proposed that [it] becomes a celebration of what Aberdeen ... has given to the world, focusing on the important Aberdonians through history but also providing a chance for visitors to the House to see current iconic figures from the city."

A budget for the works was set at:

- Essential building works/professional fees - £875,000
- Interpretation works and design - £1,000,000

The committee resolved to allocate £1.5m to the project with the remaining £375,000 being a developer contribution from Muse – the developer of Marischal Square.

It was programmed for completion in July 2017.

- 3.21 As part of the Listed Building application, a full condition survey of the building was carried out in June 2017. It highlighted a number of urgent, necessary and desirable works for PSH.
- 3.22 The £375,000 MUSE contribution had been reduced to meet heating costs to PSH, installation of a new boiler, alteration of the electricity meter and professional fees in line with the Council's property framework and to ensure required environmental conditions for the artefacts in the building. A remaining £110,000 is now available to add to the £500,000 from the City Centre Masterplan budget for the enabling works. The budget for the essential/enabling works was reduced to £610,000 (with a recorded spend to date of £51,000).
- 3.23 Earlier in 2017 public consultation was undertaken to identify the Hall for Heroes figures and those selected, who are still living, have been engaged in preparing the exhibition.
- 3.24 Work packages associated with the interpretation and fit out of PSH have commenced in line with the original programme (to July 2017) and budget (£1 million).

Programme Management Office (PMO) review

- 3.25 In July 2017, the PMO undertook a review of the PSH project. Principle conclusions were to:
- Review the project programme to establish appropriate phasing.
 - Investigate internal and external funding for the project.
 - Prepare a business case for the project and submit to the Capital Board.
- 3.26 In order to bring these recommendations forward, Faithful and Gould were appointed as project managers in August, 2017

Provost Skene's House: Business Case

- 3.27 The revised Business Case for Provost Skene's House is detailed in the exempt Appendix 1.

4. FINANCIAL IMPLICATIONS

- 4.1 Financial implications arising from the report, with regard to AAG, are an exposure for additional costs for delay and disruption, additional

works/variations, provision for fit-out delay and disruption and professional fees.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report. The Head of Legal and Democratic Services will attend to the interests of the Council as regards the Contractor's claim in accordance with delegated powers.

6. MANAGEMENT OF RISK

- 6.1 The following presents the management of risks by identifying them and their impact, establishing the likelihood of occurrence, setting out appropriate mitigation and providing a pre and post mitigation score.

| Risk/Impact | Likelihood | Score | Mitigation | Revised Score |
|--|------------|--------|---|---------------|
| Maximum exposure to contractor's claim at AAG through adjudication | Medium | High | <ul style="list-style-type: none"> • Negotiation • Procure legal advice | Medium |
| Further construction programme extension at AAG | Low | High | <ul style="list-style-type: none"> • Maintain project management services • Pause delay damages | Low |
| Commercial confidentiality of negotiations at AAG could have adverse reputational impact | Medium | Medium | <ul style="list-style-type: none"> • Develop and implement communications plan | Low |
| Reputational impacts through late delivery at increased cost at AAG. | High | High | <ul style="list-style-type: none"> • Develop and implement communications plan • Proactive stakeholder engagement • Maintain project management and claims consultant services | Medium |
| Budgetary increases at PSH due to unforeseen works | High | High | <ul style="list-style-type: none"> • Appropriate budget contingency to reflect building age | Medium |

| Risk/Impact | Likelihood | Score | Mitigation | Revised Score |
|---|------------|-------|---|---------------|
| Programme increase at PSH due to unforeseen works | High | High | • Appointment of Faithful and Gould to manage programme | Medium |

6.2 There are no further financial, employee, customer / citizen, environmental, technological, legal or reputational risks.

7. IMPACT SECTION

7.1 The considerations in this report do not provide any new impacts related to economy, people, place or technology on the strategic themes of Aberdeen City Council and Community Planning Aberdeen, as set out in the Aberdeen City Local Outcome Improvement Plan 2016-26 and the Aberdeen City Council Strategic Business Plan.

8. BACKGROUND PAPERS

Report to Council on 23 August 2017 **Council Financial Performance – Quarter 1 2017/18 (CG17/084)**

Report to Audit, Risk and Scrutiny on 27 June 2017 **Review of the Capital Programme Governance (CHI/17/153)**

Report to FP&R Committee on 20 September, 2016 **Refurbishment of Provost Skene's House (ECS\16\058)**

Adams Napier Partnership June 2017 **Condition Survey Report on Provost Skene's House, Aberdeen**

Capital Board on 15 November, 2017 **Provost Skene's House Business Case**

Report to FP&R on 19 June 2014 **Art Gallery Redevelopment Programme Procurement of the Construction Works (ECS-14-046)**

Art Gallery redevelopment programme – procurement of the Museums Collections Centre, Education, Culture and Sport Committee, 27 March 2014
Aberdeen Art Gallery redevelopment programme, Urgent Business Committee, 29 November 2012

Aberdeen Art Gallery redevelopment, Education, Culture and Sport Committee, 7 June 2012 and Finance and Resources Committee, 21 June 2012

Finance Policy & Resources Committee, 15 September 2015, Article 25: **Art Gallery Redevelopment Fundraising**

Finance Policy & Resources Committee, 7 June 2016, Article 27: **Art Gallery Fundraising - Update**

Finance Policy & Resources Committee, 1 December 2016 **Art Gallery Fundraising**

9. APPENDICES (if applicable)

Appendix 1 – Provost Skene's House: Business Case (Exempt)

10. REPORT AUTHOR DETAILS

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HEAD OF SERVICE DETAILS

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Exempt information as described in paragraph(s) 8 of Schedule 7A of the Local Government (Scotland) Act 1973.

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