

Report to the Greater Birmingham and Solihull Supervisory Board

6 October 2016

NATIONAL COLLEGE FOR HIGH SPEED RAIL

Purpose of the Report

1. To update on the decision made by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Growth Team on the 22 July 2016, in relation to the funding Local Growth Fund funding for the National College for High Speed Rail, to the value of £1,465,000.

Recommendations

2. Supervisory Board members are asked to note the agreement to fund the LGF grant and the manner in which the funding will be defrayed.

Background and Key Issues

3. On the 31 March 2016 the Supervisory Board noted the request of £6m LGF for the NCHSR to support the new College in Birmingham.
4. An additional allocation of £1.465m has now been approved by the Growth Team on the 22 July 2016 from the 2016/17 underspend. This will cover higher than anticipated ground remediation and foundation costs based on receipt of competitive tenders against cost plan allowances.
5. In the original expression of interest submitted spring 2015 to the Department for Business, Innovation and Skills (BIS) for the NCHSR, BCC offered a cleared, unfettered site with no covenants ready for development which was based on the information available at that time. This included site surveys that were undertaken whilst the existing buildings were still in situ and part occupied.
6. Following the project's approval in 2016, further site investigations were commissioned once the existing building had been vacated and demolished. These have shown much greater levels of contamination than had been assumed, necessitating the bulk removal of materials off site to a specialist intermediate treatment centre prior to eventual disposal, and a re-assessment of foundation design details.
7. The allowance made for dealing with contaminated ground and abnormal foundation designs within the approved funding package have proved to be inadequate. The allowances were based on the initial site investigations that were limited in scope due to the site being operational and housing an occupied building and car park.

8. Whilst there may have been an opportunity of value engineering the project to achieve savings, due to the limited timescales available for the project to be approved and to enable works to commence in accordance with the programme, the decision was made to progress with the project. This reflected that any significant reductions would require some redesign that would impact on the programme and delay spend.
9. The Skills Funding Agency, acting as the Independent Technical Evaluator for this project, agreed that any significant savings would delay the project and, that the costs presented would satisfy the Agency's Cost Model Value for money criteria.
10. Following several weeks of detailed discussion with a number of ground remediation specialists in a competitive situation, a contract has been let by the main contractor Willmott Dixon Ltd to Dunton Environmental Ltd. This is on a fixed price all risks basis, to give certainty over the ground remediation liabilities.
11. Piling and foundation works have also been competitively tendered with a high degree of certainty over the outturn costs.
12. The total cost of competitively tendered ground works comprising ground remediation, piling and foundations is £3.092m representing an additional £1.465m over and above £1.627m allowance within the approved funding package.

Project Management and Contingency

13. Due to the £4m reduced capital budget and the committed contingency, there is no flexibility at this time to cover any cost overrun. There is potential to submit a new business case for the £4m to BIS, this would however be restricted to cover plant and machinery costs only. If the NCHSR were to take the opportunity to use this facility then any potential cost overruns would be managed through the NCHSR Corporation Board and its Audit Committee Sub-Group.
14. The role of BCC in supporting this project has been to provide the land on a 125 year pepper corn lease to the NCHSR with no break clause before 25 years. The land is currently valued at £4.2m. BCC have also incurred a revenue loss from the previous tenancies and, are acting as the accountable body for the funding package on behalf of the College. Due to existing budget constraints BCC are not in a position to provide any capital funding.

Delivery

15. The curriculum and operating model has now been designed to maximise the opportunity this presents. The College is due to open in September 2017.
16. Whilst this additional grant request will not provide any additional outputs it will contribute to the delivery of:
 - a. 12,916 sqm floorspace
 - b. 36 new operational jobs
 - c. 22 construction jobs and apprenticeships created

- d. Circa 1,259 learners and apprenticeships (by year 5)

Conclusion

- 17. The Supervisory Board is asked to note the granting of funding of an additional £1.465m for the NCHSR for the remediation of the Birmingham site.

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