

AGENDA ITEM:

REPORT TO: Meeting of the	MERSEYSIDE FIRE & RESCUE AUTHORITY POLICY & RESOURCES COMMITTEE
DATE:	15TH JANUARY 2013
REPORT NO.	CFO/007/13
REPORTING OFFICER:	DEPUTY CHIEF EXECUTIVE
CONTACT OFFICER:	COLIN SCHOFIELD, PFI REGIONAL PROJECT DIRECTOR, EXTN 4203
OFFICERS CONSULTED:	ANDY GROOM, PFI LEAD OFFICER, MERSEYSIDE JUSTINE GUY, PFI PROJECT CO-ORDINATOR SARAH BOURNE, DEPUTY CLERK
SUBJECT:	PRIVATE FINANCE INITIATIVE PROJECT – PROGRESS REPORT FOR THE PERIOD AUGUST – NOVEMBER 2012

IS THIS REPORT EXEMPT? NO

**APPENDIX A TITLE: Minutes of the Project Executive Board 13th
August 2012**

Purpose of Report

1. To provide Members with a review of progress on the North West Fire & Rescue Services Private Finance Initiative (PFI) Project in the period from August - November 2012.

Recommendation

2. That the progress on the North West Fire & Rescue Services PFI Project be noted.

Executive Summary

People and property in Merseyside will be even safer and benefit from new community resources because the biggest Private Finance Initiative (PFI) Project that the UK Fire Service has ever seen will result in seven new fire stations being built on Merseyside.

The community fire stations at Bootle/Netherton, Formby, Kirkdale ORC and Newton le Willows have been handed over by the Contractor and are all fully operational.

Work has started on the new stations at Belle Vale, Birkenhead and Southport.

North West Ambulance Service has now moved into Newton le Willows and Formby fire stations.

The contract agreed between the Authorities and Balfour Beatty Fire and Rescue (BBFR) (which is based upon a DCLG standard document) has a number of clauses which allow the Contractor to claim relief, time extension and compensation from the Authorities in appropriate circumstances. Such claims are known as Compensation Events. These occur when the Authorities breach any of their obligations or warranties as set out in the contract, if any agreed Site Assumptions are found to be incorrect or certain events occur.

A number of Compensation Events have been lodged by the Contractor.

Introduction & Background

3. Members will be aware that the Authority, in collaboration with Cumbria and Lancashire Fire and Rescue Authorities, was successful in its bid for PFI credits to build 16 new Community Fire Stations across the three Authority areas. The contract to build the new stations has been awarded to Balfour Beatty Fire & Rescue (BBFR).
4. The scope of the Merseyside element of the Project is as follows:-

New Stations (existing sites)

- Belle Vale
- Birkenhead
- Bootle/Netherton
- Formby
- Kirkdale (with Operational Resource Centre (ORC) on same site)
- Newton le Willows
- Southport (combined Fire and Ambulance Station)

All of the sites except Bootle/Netherton required temporary accommodation in order to operate during the construction period.

Progress since the Last Report

5. As detailed in report CFO/044/11 to Strategic Assets Committee on 28th April 2011, a programme of monthly meetings and site visits has been established for the duration of the building works. The following meetings took place in the period covered by this report:
 - Project Liaison Group
 - Works Progress
 - Inter Authority Co-ordination Group
 - Technical Design
 - Site Visits
6. Relevant minutes of these meetings are presented to the Project Executive Board and any items of particular interest arising from these meetings and site visits are detailed under the site specific progress reports below.
7. Members may recall that they asked to see minutes from Project Executive Board meetings. There was one meeting in the period covered by this report, on 13th August 2012, and the minutes of that meeting are attached as Appendix A to this report.
8. Bi-monthly Merseyside Transition Board meetings are also held at which each of the PFI stations is represented. These meetings provide feedback on progress, discuss issues arising, identify any problems and provide a conduit to other members of staff at each station.
9. Monthly meetings are also held with BBFR and Balfour Beatty Workplace (BBW), their facilities management providers, to go through all faults reported at stations and check they have been actioned within the specified period (if not, deductions are made from the monthly Unitary Charge due in respect of that station). This meeting also discusses pre-planned maintenance, utilities, cleaning etc.
10. In Merseyside, work has now been completed at the first four community fire stations and work has now commenced on the next three. A brief summary of each is given below. In the Project overall, all 10 fire stations in the first phase are complete and have been handed over to the Authorities. Work on the second phase stations at Burnley, Chorley and Workington has now started with all stations due to be completed by July 2013.

Bootle/Netherton

11. As previously advised, Services Availability Date (SAD) at Bootle/Netherton was achieved on 1st June 2012 with the station going operational on 6th June, just over five weeks later than originally planned.

12. Once the staff had moved across to the new station, BBFR took possession of the old station and, following disconnection of all utilities, stripped out any asbestos & demolished the building. When this had been completed, the area was landscaped, this being finished, following delays caused by heavy rain, in mid November.
13. The opening ceremony for Bootle/Netherton community fire station was held on 14th August and was carried out by Councillor Peter Dowd, Leader of Sefton Borough Council (and former Chair of this Authority).
14. NWAS are interested in potentially sharing this station and members will be kept informed of developments.
15. Unfortunately, since SAD, there have been a number of leaks in the roof at this station but these have all been dealt with speedily by BBFR in line with contractual requirements. Some initial problems with the rainwater harvesting tank, which led to toilets being unavailable, have also been resolved.

Formby

16. As previously reported, SAD at Formby was achieved on 27th April 2012 with the station going 'live' on 30th April. This was in line with the contractual date.
17. NWAS are now sharing this station with Merseyside Fire & Rescue Service and they moved in on 22nd October 2012 following the grant of a lease to NWAS. All the feedback received from both NWAS and MFRS managers and staff following the integration has been positive.

Kirkdale

18. As previously reported, the station and associated garaging facilities at the ORC were finally handed over to the Authority on 9th July 2012 some 10 weeks behind the original timescale. The delay was principally due to the discovery of asbestos under the old station. The station went fully operational on 11th July.
19. The opening ceremony for Kirkdale was held on 18th September and was performed by the Chief Fire Officer. This was reported in the Liverpool Echo.

Newton le Willows

20. As reported previously, SAD at the new Newton le Willows station was achieved on 21st May 2012, five weeks after the anticipated completion date, with the station going 'live' the same day. The principal reason for the delay was the soft ground discovered under the old station footprint.
21. The opening ceremony for this station took place on 27th July and was performed by the Mayor of St. Helens, Councillor Geoff Almond. This was reported in the St Helens Star.

22. NWAS are now sharing this station with Merseyside Fire & Rescue Service and they moved in on 22nd October 2012 following the grant of a lease to NWAS. All feedback received from both NWAS and MFRS managers and staff following the integration has been positive.

Belle Vale

23. SAD for the temporary accommodation was achieved on 19th July and the firefighters moved across shortly after this. Fire Safety personnel from this site have been temporarily relocated to the MaCC building in Derby Road.
24. Unfortunately BBFR have experienced some problems on the site. During demolition of the old station, asbestos was found in radiator bracket fixings which caused a delay and resulted in a Compensation Event claim (see below). It was then discovered that the foundations for the old station were much larger and deeper than anticipated which necessitated additional digging and subsequent back-filling and ultimately led to a redesign of the foundation strategy for the new building.
25. Further delays were caused due to removal of contamination found on site, problems with drainage connections at the LLAR house and by the discovery of a 24" service pipe at the front of the site which was not shown on any utility plans provided or found during initial survey work.
26. Works are now seven weeks behind schedule and BBFR are working extra hours each day and at weekends in an effort to make up for lost time. This has caused some disturbance to neighbours and BBFR are dealing with any complaints. A complaint was received from a local Councillor on behalf of a local resident who claimed lorries visiting the site were using residential roads as a short cut but, following investigations, it appears that the lorries involved were visiting another building site in the area.
27. Building work proper has now started and as at the end of November, piling is complete, the majority of steelwork has been erected, metal decking is in place and the ground and first floor concrete slabs have been poured.

Birkenhead

28. Temporary accommodation and a bay for the fire appliance have been erected at the rear of the site and this will be used for the duration of the building works.
29. During demolition of the original building unexpected additional asbestos was discovered in door frames and cavity walls and around underground tanks. This has resulted in a delay and claims for Compensation Events (see below). This site also had deeper than expected foundations which took longer than anticipated to excavate and back fill.

30. However any time lost has now largely been caught up by the site team and progress is roughly on target. All piling and foundations are in place, all steelwork erected, water tanks installed, metal decking in place and concrete slabs poured. Precast concrete stairs are installed, the roof is on and both block work and internal drainage has commenced.
31. Unfortunately children and youths have trespassed on this site on several occasions and an out-of-hours security guard has had to be employed. The temporary appliance bay has had six windows smashed by a vandal but these have now been repaired. Multi-agency meetings have been held with regards to the area around the station and instances of anti-social behaviour have diminished in recent weeks.
32. Wirral MBC remain interested in establishing a Youth Zone at the site, using land "freed" up by the smaller, new fire station. Officers have had a number of discussions and a group of Officers and politicians visited the Firefit Hub at Toxteth on the 13th December 2012.

Southport

33. As Members may recall from the last progress report, negotiation has taken place to use the vacant Southport Magistrates Court building, adjacent to the current fire station, as a temporary fire station for the duration of the building works. NWAS staff are sharing the facilities at this location, in advance of them formally moving into the new joint Southport Fire & Ambulance Station. In addition, BBFR's main building contractor (Mansell Construction) is also using part of this building in lieu of site cabins. This sharing of facilities will help offset costs to each party involved. Two temporary appliance bays are located immediately outside the building.
34. Demolition of the previous fire station and former Chief's house used by NWAS has been completed. However, seven Compensation Events have been lodged by BBFR at this site principally concerning non disconnection of utilities, discovery of various live utilities at the site feeding adjacent properties and discovery of asbestos lagging on pipes under the building footprint. Further details of Compensation Events and their implications to the Authority are given below.
35. Despite the delays caused by these Compensation Events, the site staff have worked hard to bring the building works back on programme. Piling is complete, foundations are in, all steel has been erected and the roof is on. Metal decking is in place and all concrete slabs have been poured. Substructure brickwork has commenced as has both internal and external drainage. Mechanical and electrical work has just started.

Compensation Events

36. The contract agreed between the Authorities and BBFR (which is based upon a DCLG standard document) has a number of clauses which allows the Contractor to claim relief, time extension and compensation from the Authorities, in appropriate circumstances. Such claims are known as Compensation Events. These occur when the Authorities breach any of their obligations or warranties as set out in the contract, if any agreed Site Assumptions are found to be incorrect or certain events occur.
37. Typical of these events is when unknown materials or ground conditions are found under the footprint of an existing building. Whilst the Contractors were able to dig boreholes and make other investigations around the site when they were producing their final tender price, this wasn't possible where an operational fire station or other building was in situ.
38. Members may recall, from previous reports, that a substantial amount of asbestos was found under the old Kirkdale fire station and a large area of soft ground, probably the remains of an old pond, was found under the old Newton le Willows fire station. Both of these claims have been (largely) agreed and the outcomes reported to members.
39. On a project of the scale of the PFI Project - £40m capital building on 16 different sites it is inevitable that such claims and issues will arise. The Authority has recognised this fact and set aside monies in reserves to cater for managing the inevitable risks.
40. There was an increase in the number of potential Compensation Event claims as the Contractor started work on the second phase of the works and as the building programme has reached its peak. Most of these are on Merseyside sites but a number have also been made in respect of Burnley and Chorley in Lancashire.
41. Recent claims in Merseyside, in addition to those mentioned in paragraph 37 above, include:-
 - Belle Vale – live utilities on site
 - Belle Vale – asbestos in radiator fixings

 - Birkenhead – asbestos in door frames and cavity walls
 - Birkenhead – asbestos around under ground tanks

 - Bootle/Netherton – non-disconnection of utilities
 - Bootle/Netherton – asbestos in cavity walls

 - Kirkdale – delay in agreeing lease for electricity sub station

 - Newton le Willows – unknown drainage easement to neighbouring property

 - Southport - delayed start to works due to change of facilities and location

Southport - non-disconnection of utilities (fire station)
Southport - non-disconnection of utilities (NWAS house)
Southport – asbestos lagging on pipes under station floor
Southport - live electric cables on site
Southport – live water mains on site
Southport - live electric cables on site (second claim)

42. Members are asked to note that all of these claims are managed robustly and are subject to challenge by the Project Team. Most of the claims are relatively small scale and in some instances they overlap (the Contractor can't claim for the same delays on the same site for example). Some of these claims have been rejected as the Contractor failed to follow the necessary timescales for notification set out in the contract, although the Contractor has yet to agree that this is the case. Other claims have been challenged as the Contractor has yet to prove to the Authorities satisfaction that the events described in the claim actually caused the delay or costs set out in their claim. Others have been challenged on the grounds that the Contractor was, or should have been, aware of the issue that they claim is causing delays and/or costs. A small number of the claims are however likely to be reasonable in that they reflect issues where it was not possible to pass the risk onto the Contractor. The costs of these will have to be met by the Authority.
43. As a result of challenges by the Project Team, BBFR have recently withdrawn the claims in respect of the non disconnection of utilities at Bootle/Netherton and the drainage easement at Newton le Willows (as well as one claim at Burnley). However all others remain under discussion.
44. A series of meetings have been held with BBFR and Mansell to discuss these claims further and Members will be provided with a verbal update as to progress at the meeting. The contract contains a disputes resolution procedure, ultimately involving adjudication, although it is hoped that these Compensation Event claims can be resolved before that becomes necessary.

Risk Management, Health and Safety and Environmental Implications

45. BBFR have a “Zero Harm Vision” which is in operation across all sites it is using. A copy of the “Zero Harm Vision” document is available on request to the Project Manager.
46. The Health and Safety Manager has visited each of the temporary facilities and made a number of recommendations which have been implemented. The FBU Health and Safety Co-ordinator attends the Transition Board Meetings and carries out joint inspections of both temporary and permanent facilities with the Health and Safety Manager, as required.

Equality and Diversity Implications

47. None arising directly from this report. Both initial and full Equality Impact Assessments (EIA) have been completed for the Project.

Staff Implications

48. The main implications to staff arising from this report are in respect of the use of temporary facilities at Birkenhead, Southport and Belle Vale during building works. Staff on stations have been kept advised of these proposals and consultation has taken place with the FBU. The issues at Belle Vale mentioned in paragraph 26 above have been addressed by direct dialogue between the staff at the station and Mansell managers and site supervisors.
49. Cleaning staff at the stations affected, where appropriate, have (or will be) transferred to BBW under TUPE. Consultations have taken place with the individuals concerned and their representative bodies, prior to any transfers taking place.

Legal Implications

50. Legal advice, both internal and external, has been sought in respect of the Compensation Events set out above and will continue to be sought, where necessary, as negotiations progress.
51. Leases have been granted to NWAS for the sharing of premises at Formby and Newton fire stations. MFRA occupy the Magistrates' Court site at Southport under a lease agreement granted by the Secretary of State for Communities and Local Government.

Financial Implications and Value for Money

52. It is still not possible to give a realistic indication of the potential level of expenditure on the Compensation Events set out above at present. However, the final costs for any Compensation Events can be met from the General Investment Reserve established by the Authority to deal with the issues such as this.

Contribution to Our Mission:

To Achieve Safer Stronger Communities – Safe Effective Firefighters”

53. The North West Fire & Rescue Services PFI Project has a range of objectives which link back to the Vision Statements of all three participating Authorities.

BACKGROUND PAPERS

CFO/098/11 “Private Finance Initiative Project – Effect of Compensation Events”

CFO/114/12 “Private Finance Initiative Project - Progress Report for the Period March - July 2012”

Glossary of Terms

BBFR – Balfour Beatty Fire & Rescue North West Ltd

BBW – Balfour Beatty Workplace

DCLG – Department for Communities and Local Government

EIA – Equality Impact Assessment

FBU – Fire Brigades Union

FRS – Fire & Rescue Service (s)

NWAS – North West Ambulance Service

ORC – Operational Resource Centre

PFI – Private Finance Initiative

SAD – Services Availability Date

TUPE – Transfer of Undertakings (Protection of Employment) Regulations