

AGENDA ITEM:

REPORT TO: Meeting of the	MERSEYSIDE FIRE & RESCUE AUTHORITY POLICY & RESOURCES COMMITTEE
DATE:	26th SEPTEMBER 2013
REPORT NO.	CFO/112/13
REPORTING OFFICER:	COLIN SCHOFIELD, REGIONAL PROJECT DIRECTOR, 0151 296 4203
CONTACT OFFICER:	KIERAN TIMMINS, DEPUTY CHIEF EXECUTIVE 0151 296 4202
OFFICERS CONSULTED:	ANDY GROOM, MERSEYSIDE LEAD OFFICER
SUBJECT:	PRIVATE FINANCE INITIATIVE PROJECT – PROGRESS REPORT FOR THE PERIOD MARCH – AUGUST 2013

THERE ARE APPENDICES TO THIS REPORT:

- APPENDIX: A MINUTES OF PROJECT EXECUTIVE BOARD 9TH MAY
2013**
- B SALE OF BALFOUR BEATTY WORKPLACE – LETTER
DATED 19TH AUGUST 2013**

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 March – August 2013 and to confirm the end of the construction phase of the Project.

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 has resulted in seven new fire stations being built on Merseyside.

Southport, Belle Vale and Birkenhead community fire stations have now been handed over by the Contractor.

All seven Merseyside PFI stations are now fully operational.

The construction phase of the Project across all three Authorities is now complete and the Project has moved into its 25 year operational phase.

An audit of the Project has confirmed that appropriate controls are in place for payment of the monthly Unitary Charge.

The facilities management contractor involved in the Project, Balfour Beatty Workplace, is to be sold but this should have no noticeable impact on the Authority.

A number of Compensation Events lodged by the Contractor are still outstanding and remain under discussion.

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 was awarded to Balfour Beatty Fire & Rescue (BBFR). Mansell Construction was BBFR's main building contractor.
4. The scope of the Merseyside element of the Project was as follows:-
 - Belle Vale
 - Birkenhead
 - Bootle/Netherton
 - Formby
 - Kirkdale (with Operational Resource Centre (ORC) on same site)
 - Newton le Willows
 - Southport (combined Fire and Ambulance Station)
5. Construction work at all 16 sites in the Project has now been completed and this progress report marks the end of the building phase of the Project and the formal start of the 25 year maintenance period, at the end of which (4th July 2038) all stations will be handed back to the Authorities by BBFR in an "as new" condition.
6. As members will recall from previous reports, work at Bootle/Netherton, Formby, Kirkdale and Newton le Willows was completed in the first phase of the Project, together with four stations in Cumbria and two in Lancashire

Progress since the Last Report

7. A brief summary of work that has been completed in the period covered by this report is given below.

Southport

8. Service availability at Southport was achieved on 10th June 2013. This was the date set out in the contract and represents a significant achievement, bearing in mind the seven Compensation Events which were logged at this site, all involving time delays.
9. Staff received training on 11th June and the station went operational as a joint Fire & Ambulance Station on 12th June 2013. This received some publicity in the Southport Champion and Southport Visitor newspapers.
10. Following staff relocation, work was carried out to return the adjacent (former) Magistrates Courts to an acceptable standard and Mansell Construction carried out the necessary post-completion works on the overall site, principally to the area where the temporary appliance bays were housed, together with reinstatement of paving and kerbs. This work was signed off by the Independent Certifier on 19th July 2013.
11. Snagging work on the building was substantially completed on 24th July 2013.
12. The formal opening ceremony for Southport Community Fire & Ambulance Station is scheduled for 3rd October 2013.

Belle Vale

13. Services Availability was achieved at Belle Vale on 1st July 2013, three weeks later than had been planned under the contract. The issues faced at this site that contributed to the delay, as previously reported to members, included removing part of the temporary accommodation following complaints from neighbours, discovery of asbestos, deeper than anticipated foundations, ground contamination, problems with drainage connections to the LLAR house, discovery of a 24" gas pipe not marked on any drawings and severe weather conditions during early 2013.
14. Following a training day on 2nd July, the station went live on 3rd July 2013. This was the subject of a very brief article in the Liverpool Echo.
15. The land at the rear of the site, owned by Riverside Housing, which used to house the temporary accommodation and appliance bay, was cleared by Mansell Construction and handed back to Riverside Housing in early August.
16. Mansell Construction arranged for their landscaping contractor to make good any damage to the grass verges at the Lee Valley Millennium Centre car park, opposite the site following complaints via a local councillor that contractors had been parking their vehicles there during the construction works.
17. Snagging work on the building was substantially completed on 2nd August 2013.
18. The formal opening ceremony for Belle Vale Community Fire Station took place on 5th September 2013.

Birkenhead

19. Services Availability was achieved at Birkenhead on 22nd July 2013, five weeks later than set out under the contract. The reasons for the delay were the (abortive) proposal to move the temporary accommodation to another site (T.A. Barracks, Chetwynd – report CFO/052/12 refers) which had a knock-on effect on the start of works on site, the discovery of asbestos in two separate locations during demolition work, deeper than anticipated foundations to the old buildings and severe weather conditions during early 2013 which delayed the brickwork in particular.
20. Following a training day on 23rd July, the station went live on 24th July 2013. Mansell Construction subsequently carried out post-completion works which involved removing all temporary accommodation, including the appliance bay, demolishing a now redundant electrical substation and making good. This work was signed off by the Independent Certifier on 16th August.
21. All snagging work at this site is scheduled to be complete by 9th September.
22. Mansell have also fenced off part of the site which is now surplus to requirements and has been earmarked for a Youth Hub, to be built in partnership with Wirral Borough Council. Further reports will be presented to members on this proposal for their consideration.
23. As previously advised, NWS are interested in sharing this station and it has been agreed that they will move in on 3rd September, subject to the lease agreement being signed.
24. The formal opening ceremony for Birkenhead Community Fire Station took place 12th September 2013.

Other Issues

25. Stations at Burnley and Chorley in Lancashire, and Workington in Cumbria, were also completed in this period.
26. 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 9th May 2013 and the minutes of that meeting are attached as Appendix A to this report.
27. Monthly Project Liaison Group meetings are held between the three Authorities and BBFR to discuss progress and articulate items of concern at a strategic level. These meetings will move to a quarterly basis in the future, although they can be called at any time with short notice.
28. Bi-monthly Merseyside Transition Board meetings have been held at which each of the PFI stations was represented. These meetings provided feedback on progress, discussed issues arising, identified any problems and provided a conduit to other members of staff at each station. Now all stations are live, the Transition Board has been wound up.

29. Monthly meetings are 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). These meetings also discuss pre-planned maintenance, utilities consumption, cleaning etc.
30. Regular site visits are held on each of the stations to inspect cleaning standards, facilities management, defect rectification etc. and discuss any items of concern with station personnel and managers. These visits will continue for the duration of the contract.
31. An audit of the Project was carried out in March 2013 to test the controls in place to ensure that the Project is effectively monitored, and that the invoice payment process in place for the Unitary Charge is adequate and effective. This resulted in the issue of an Internal Audit Memorandum dated 11th April which drew the following conclusion "From our work we can provide a high level of assurance that there are effective controls in place to manage the monitoring of the project and the payments made. Performance management arrangements are being developed and key performance indicators are to be introduced shortly which will only strengthen the control environment".
32. The Project Team was shortlisted for "Local Authority Project Team of the Year" at the PPP magazine awards ceremony held in London on 23rd May. Unfortunately they did not win the award.
33. Members may have heard the announcement that BBW are to be sold. A letter has been received from Balfour Beatty Investments which provides further details of the sale and the implications of this on the contract. This letter is attached as Appendix B to this report. It is not anticipated that there will be any significant issues for the Authorities arising from the sale as the contract is with BBFR (not BBW) but the Project Director will monitor the situation closely and report further if any issues do arise.

Compensation Events

34. As previously advised, there have been 21 Compensation Events logged by BBFR during the course of the building works. All but three of these were at Merseyside sites. The principal reason there were so many in Merseyside was that each site was occupied by an operational fire station and consequently BBFR were unable to carry out all the site investigations that they would have done had the site been a vacant brown or green field site. Full details of these claims were provided in the last progress report (CFO/35/13). A further five (four Merseyside) of these have been settled in the period but at time of writing 11 are still outstanding, although provisional agreements exist to settle seven of these with two due to be withdrawn by BBFR. The remaining two Compensation Events (one Merseyside) remain in dispute.

Risk Management, Health and Safety and Environmental Implications

35. BBFR have a “Zero Harm Vision” which is rolled out across all sites it is using. A copy of the “Zero Harm Vision” document is available on request to the Project Manager.
36. The Project Director and Lead Officer held a meeting with the FBU in the period covered by this report to keep them advised of progress and discuss any concerns they may have.

Equality and Diversity Implications

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

Staff Implications

38. Cleaning staff at the stations affected, where appropriate, have transferred to BBW under TUPE. Consultations took place with the individuals concerned and their representative bodies, prior to any transfers taking place. A final reconciliation of the financial implications of these transfers is currently under way.

Legal Implications

39. Legal advice, both internal and external, has been sought in respect of the Compensation Events and will continue to be sought, where necessary, as negotiations progress.
40. A lease has been drafted with NWAS for the sharing of premises at Birkenhead Community fire station. This is currently with NWAS legal representatives for comment.

Financial Implications and Value for Money

41. None arising directly from this report although with the final station coming on line, and all post completion works having been finished, the full Unitary Charge is now being paid to BBFR. Appropriate deductions are being made in respect of any failures to respond to defects or unavailability within the contractual periods.
42. The draft lease with NWAS at Birkenhead will provide lease rental income to the Authority together with a contribution towards rates and utilities costs at that site.

Contribution to Our Mission:

To Achieve Safer Stronger Communities – Safe Effective Firefighters”

43. 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/052/12 "Birkenhead PFI Decant Arrangements"

CFO/035/13 "Private Finance Initiative Project - Progress Report for the Period
December 2012 – February 2013"

Letter from David Blanchard, Investments Director, Balfour Beatty Investments, dated
19th August 2013 entitle "Sale of Balfour Beatty Workplace".

Glossary of Terms

BBFR – Balfour Beatty Fire & Rescue North West Ltd

BBW – Balfour Beatty Workplace

EIA – Equality Impact Assessment

FBU – Fire Brigades Union

NWAS – North West Ambulance Service

ORC – Operational Resource Centre

PFI – Private Finance Initiative

TA – Territorial Army

TUPE – Transfer of Undertakings (Protection of Employment) Regulations