

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the
Executive Director
Place

The Glass Works – Impact of COVID 19

1. Purpose of report

- 1.1 To update members on the impact of the current COVID 19 emergency and the measures being taken to mitigate these impacts.

2. Recommendations

It is recommended that:

- 2.1 **Delivery of the Glass Works scheme continues towards a projected scheme opening in 2021.**
- 2.2 **Members note the analysis of the impact of the COVID 19 emergency on the Glass works development.**
- 2.3 **Members note the measures being put in place to support the recovery of the Glass Works from the COVID 19 emergency.**
- 2.4 **Members receive a further report when the longer-term impacts of the COVID 19 emergency on the Glass Works scheme are fully understood.**

3. Introduction

- 3.1 In April 2020 cabinet gave approval to complete the delivery of the Glass Works scheme.

4. Current Position

- 4.1 Like all the other aspects of the Council's day to day activity the Coronavirus/ COVID 19 emergency has had a very significant impact on the Glass Works scheme.

Construction

- 4.2 On the 27th of March Henry Boot Construction (HBC) took the decision to temporarily close the Glass Works construction site. Prior to this, work had begun to slow significantly as the COVID 19 emergency began to unfold. Subcontractors were taking the decision to close, with some advising that

they were unable to adhere to the 2m social distancing safe zone rule. Certain sub-contractors from outside the region were unable to lodge because hotels were beginning to close. In addition, although not a specific issue for the Glass Works, subcontractors for HBC were being stopped on their way to work and sent home by the police as their work at the time was considered non-essential.

- 4.3 HBC had taken the decision to stockpile materials as much as they could in the developing situation, however suppliers were closing with stocks impacted by factories that had shut down. Underlying the immediate issues on site there was initially considerable confusion whether building sites should stay open, with HBC reporting contradictory advice on Government social media platforms.
- 4.4 Following a review of the latest Government guidelines and Construction Leadership Council (CLC) Site Operating Procedures HBC took the decision to recommence site activity by implementing a phased return from the 6th April.
- 4.5 Initial work has focussed on implementing a revised set of working practices underpinned by a review of site risk assessments and method statements to support recovery. This has included
- Creation of a Covid-19 management plan
 - A signed and lined a one-way system around the site to support social distancing
 - Transformed a part completed block at the rear of the former Met centre into a welfare facility suitable for the numbers of personnel on site to eat and maintain 2 metre social distancing
 - Procured additional cleaning staff via Norse to maintain these welfare facilities
- 4.6 The Council have looked to support HBC wherever possible in the remobilisation of the site. This has included lending tables and chairs to furnish the new welfare facilities, making additional storage areas available so that materials can be stockpiled and offering support from the Council's public health team to review on site welfare facilities. Longer term the Council have begun discussing the temporary use of the Eastern Gateway site for material storage.
- 4.7 Week commencing 20th April was the first week that site activity recommenced using the revised national site operating procedures. Going into this week it was projected that the construction programme was approximately 6 weeks behind the original programme as a result of the COVID 19 emergency and previous weather delays. HBC have reported a gradual reopening of the site to ensure that current Government guidelines are being met and estimated that the site was working at approximately 35-40% capacity at the start of this week. It is hoped that this capacity will increase over the next few weeks.

- 4.8 Issues do however remain. There is a shortage of certain materials, for example concrete blocks, and some products have increased in price resulting in the need to change suppliers. HBC reported that operatives working away from home are still struggling to find accommodation and unsurprisingly there are supply issues with PPE and certain cleaning products.

Leasing

- 4.9 Although progress is being made on leasing of the Glass Works scheme this has been taking place in a challenging retail and restaurant market. The Covid 19 emergency has had a significant impact on the sector. Shops, restaurants and leisure facilities have closed and several including Cath Kidston, Carluccios restaurants and Oasis and Warehouse have gone into administration.
- 4.10 Beyond the 10 operators that have currently signed up to the Glass Works the Council's leasing team Queensberry, and solicitors, Gowlings, are undertaking final negotiations with two further operators to take units in the scheme. These two operators are still intending to take space in the Glass Works with these negotiations progressing.
- 4.11 Beyond this there is virtually no leasing activity taking place across the whole country. Feedback from Queensberry and the letting agents working on the scheme is that the vast majority of operators are solely focussed on protecting their existing business rather than expanding. The only exception to this is some of the food retailers who are taking on staff to help deal with the increased short-term demand through the lockdown period.
- 4.12 This position is borne out by analysis from Queensberry on the impact on landlords and property owners.

Impact

- 4.13 Although there are still significant unknowns in terms of the length and impact of the measures but in place by the Government to tackle COVID 19 work has now commenced to understand the implications for the delivery of the Glass Works.
- 4.14 In relation to construction, Turner and Townsend the scheme's project managers have worked with HBC to model a series of scenarios to understand the likely impact on scheme opening date and key access dates for tenants. Members need to be aware that this work is at early stages focussing initially on the ability to work on site with the new social distancing measures and has had to make assumptions in relation to material lead times and the availability of site operatives.
- 4.15 Work initially focused on scenario planning for a two-month delay on site and then a 3-month period when construction could only take place at reduced capacity because of the new social distancing measures. However, as a result of the early progress on site by HBC (described in earlier sections of this report) to recommence site activity, the most realistic

scenario is to model for a one-month delay on site and then the site working at 50% capacity for a 3 month period.

- 4.16 The projected impact of this scenario is that the Glass Works scheme opening would be delayed from June 2021 until later on in 2021.
- 4.17 Work is also been undertaken to model the impact on the tenants that have agreed to take space in the Glass Works. Each of their agreements to lease contains clauses that set out when they will be given access to their unit to commence their fit-out work in preparation for scheme opening. The agreements also include “long stop dates”, these are the latest dates when contractually they must be given access. The dates and clauses are different for each tenant as is the ability of the dates to be extended by unforeseen events (force majeure).
- 4.18 The legal position as to whether contracts are affected by force majeure as a result of the Covid 19 emergency is not yet clear. The Government has not specifically prohibited work on construction sites although guidance has been issued on the need to observe social distancing which clearly affects a contractor’s ability to deliver the works as originally programmed. As a result, it is open to dispute whether this amounts to force majeure.
- 4.19 With the works proceeding alongside this uncertainty it has been deemed prudent to raise the potential delay in the programme with tenants. Very positive discussions have taken place so far with tenants who could be affected. They have indicated an ongoing commitment to the scheme.
- 4.20 The immediate longer-term impact of the COVID 19 emergency on the ongoing leasing of the scheme is unclear, however it is very likely that it will have a impact on the Glass Works. As stated earlier the immediate priority for operators is to try and protect their existing businesses so it is very difficult to accurately predict the likely impact until the length of the current lockdown is accurately known. Potentially retailers may just delay leasing decisions, however it is likely that the current situation will stop investment in future stores by some operators. Prolonged closure of shops, restaurants and leisure facilities can only worsen this, and it does create a potential risk to the success of the scheme.

5. Proposal and Justification.

Next steps

- 5.1 The scale and potential long-term impacts of the COVID 19 emergency have deemed it necessary to review the ongoing delivery of the Glass Works scheme. Following this review, it is proposed that the Glass Works scheme should continue.
- 5.2 Failure to continue would have a significant impact. Stopping the scheme now is likely to have very significant legal and financial implications for the Council.
- 5.3 Not completing the scheme is also likely to have wider economic impacts. The construction of the Glass Works has increased economic confidence in

the wider town centre. A decision by the Council to stop the scheme could significantly impact this.

- 5.4 It is proposed to continue the process of reviewing the impact of the COVID 19 emergency. Specifically, in relation to construction activity, the modelling of the impact on the build programme will continue, particularly in relation to the impact on access dates for the operators who have taken space within the scheme. The impact on scheme opening date will also be monitored.
- 5.5 As construction on site continues to recover any opportunities for reprogramming construction to get back lost time will be considered . The priority for this will be works affecting the units to be taken by the incoming tenants.
- 5.6 A full review of the future leasing strategy of the Glass Works will be requested from Queensberry to reflect the long-term impact of COVID 19. The outcome of this review including the financial implications of this and the wider scheme will be the subject of a further report.

6 Implications for local people / service users

- 6.1. The Glass Works scheme has the potential to have a significantly positive impact for Barnsley residents. It will create a vibrant and modern town centre retail and leisure experience, which should in turn help to retain and attract more shoppers who currently leave the borough to shop elsewhere. In addition, the new retail and leisure space is envisaged to create significant new employment opportunities, which with the support of the Council, could be taken up by Barnsley residents.
- 6.2. Before the development is complete, there will be ongoing disruption to local people and businesses during the next 18 months. The project team are working hard to minimise the disruption by ensuring that regular communications are provided to the public detailing any changes and providing progress updates.

7. Financial implications

- 7.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).
- 7.2 On 27th of March, Henry Boot Construction (HBC) took the decision to temporarily close the Glass works construction site due to difficulties in maintaining social distancing as well as their sub-contractors also taking decisions to temporarily shut down operations.
- 7.3 Following a review of the latest Government guidelines and Construction Leadership Council (CLC) Site Operating Procedures, HBC have taken the decision to recommence site activity on a phased return from the 20th April. Up until this point it was projected that the construction programme was approximately 6 weeks behind as a result of COVID 19 and previous weather delays. HBC have estimated that the site is currently operating at

approximately 35-40% capacity with the hope that this capacity would increase over the next few weeks.

7.4 The above delay could impact on the overall construction cost of the Glassworks. For example, if the current construction timeline needs to be extended or if the delays being experienced present risks in terms of meeting the specific lease long stop access dates. No delay resulting in an increased construction cost has currently been identified.

7.5 The phased relaxation of lockdown and full future economic impact of COVID19 pandemic is also likely to affect the Council's ability to attract future tenants to the development. However, at this stage there are still many unknowns in respect of the prospects for, and rate of economic recovery, the situation will be therefore be monitored closely and further updates will be provided to Cabinet.

8. Legal implications

8.1 There are legal implications in relation to the report. Specifically, these relate to the agreements for lease with future Glass Works tenants and the impact of delays caused by the Covid 19 emergency.

9 Employee implications

9.1 No direct implications are contained within the report.

10. Communications implications

10.1 There are communication implications from the report. Dedicated communication resource is in place within the Council to support the delivery of the Glass Works and the wider town centre. In addition, specialist resource is engaged as part of the development management contract with Turner and Townsend.

11. Consultations

11.1 Consultations have previously taken place with elected members via an all member briefings on the Glass Works project.

11.2 Consultation has taken place with representatives of the service director Finance regarding the financial implications and Risk Management issues.

11.3 Consultations have taken place with representatives of the Executive Director Core Services regarding the legal implications of the agreements to lease with operators within the Glass Works scheme.

12. The Corporate Plan and the Council's Performance Management Framework

12.1 The Glass Works project supports the Corporate Plan objectives of creating a 'thriving and vibrant economy' and creating 'strong and resilient communities'.

13. Tackling health inequalities

13.1 No direct implications in the report.

14. Climate Change & Sustainable Energy Act 2006

14.1 No direct implications in the report.

15. Risk management issues

15.1 There are a number of individual risk registers for the Glass Works scheme. These include registers for Henry Boot Construction and Turner and Townsend covering the wider delivery of phase two.

15.2 Key risks are consolidated into one issue log that is presented to the Glass works board each month. The log and the mitigations are reviewed each month by the board and updates come from key staff including Henry Boot Construction across the project.

15.3 The issue log has been updated to capture the implications of the COVID19 emergency. Specific strategic issues include :

- Covid-19 pandemic forces closure of non-essential business and shuts site down. Delivery dates missed and knock on to lease long stop dates.
- Covid-19 pandemic causes widespread insolvency in retail/leisure operator market. Existing leases voided. Market for new tenants severely depleted.
- Covid-19 - project delay causes key lease dates (Works End and Absolute Long Stop) to be missed allowing tenants to exit agreements

15.4 Operationally there are also risks relating to the site. These include:

- Site security if UK Gov dictate construction site lockdown.
- Site operations restricted by social distancing measures

15.5 Cutting across all these areas are the financial risks that the COVID 19 emergency presents.

15.6 The impact of COVID 19 on the tenancy and the income streams flowing from the Glassworks is currently uncertain and therefore clearly represents an area of risk - - these are areas that will be extensively monitored and updated on as necessary.

16. Health, safety, and emergency resilience issues

16.1 There are significant health and safety implications within this report relating to the COVID 19 emergency. Specifically, they relate to the Glass works construction site and the measures put in place by Henry Boot Construction to conform with government guidance and the Construction Leadership Council (CLC) Site Operating Procedures

16.2 The Council's Health, safety and emergency resilience team undertake regular inspections of the henry Boot construction site.

16.3 The Council have also offered additional support and guidance to Henry Boot Construction from the Council's public health team

17. Compatibility with the European Convention on Human Rights

17.1 No issues arising from this report.

18. Promoting equality, diversity, and social inclusion

18.1 No issues arising from this report.

19. Reduction of crime and disorder

19.1 No issues arising from this report.

20. Conservation of biodiversity

20.1 No issues arising from this report.

Financial Consideration

Financial Implications/Consultation



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*(To be signed by senior Financial Services officer
where no financial implications)*

Officer Contact: David Shepherd

Date: April 2020