

**Report of the Executive Director Core Services  
the Executive Director Place  
to the Overview & Scrutiny Committee (OSC)  
on 9 June 2020**

## **Impact of COVID-19 on the Barnsley Economy and Glass Works Development**

### **1.0 Introduction**

- 1.1 The purpose of this report is to update the Overview & Scrutiny Committee (OSC) on the impact of the current COVID-19 emergency on the Glass Works development. At the OSC meeting, a short presentation will be given to provide an update on the latest information in relation to the impact of COVID-19 on the Barnsley Economy as well as the Glass Works development.
- 1.2 This particular report focuses on the Glass Works development, detailing the impact upon the construction and leasing elements of the project and the measures being taken to mitigate these impacts, as well as the next steps and potential risks that may affect the success of the project.

### **2.0 Background**

- 2.1 In June 2019 the Overview & Scrutiny Committee were presented with a report on Phase II of the Glass Works and town centre redevelopment.
- 2.2 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.
- 2.3 However, 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 and work had to temporarily cease.
- 2.4 In April 2020 Cabinet gave approval to complete the delivery of the Glass Works.

### **3.0 Current Position**

#### Construction

- 3.1 On 27 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.
- 3.2 Subcontractors were taking the decision to close, with some advising that they were unable to adhere to the two metre 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.
- 3.3 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.
- 3.4 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.

- 3.5 Following a review of the latest Government guidelines and Construction Leadership Council (CLC) Site Operating Procedures, on 6 April HBC took the decision to recommence site activity by implementing a phased return.
- 3.6 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:-
- the creation of a COVID-19 management plan
  - a signed and lined one-way system around the site to support social distancing
  - the transformation of 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 two metre social distancing
  - the procurement of additional cleaning staff via Norse to maintain these welfare facilities
- 3.7 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.
- 3.8 Given the significant health & safety implications of COVID-19, the Council's Health, Safety and Emergency Resilience Team undertake regular inspections of the Henry Boot construction site.
- 3.9 Week commencing 20 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 six weeks behind the original programme as a result of the COVID-19 emergency and previous weather delays.
- 3.10 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 week commencing 20 April. It is hoped that this capacity will increase over the next few weeks.
- 3.11 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. Currently, no delay resulting in an increased construction cost has been identified.
- 3.12 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 personal protective equipment (PPE) and certain cleaning products.

### Leasing

- 3.13 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.
- 3.14 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.
- 3.15 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.

- 3.16 This position is borne out by analysis from Queensberry on the impact on landlords and property owners.
- 3.17 The phased relaxation of lockdown and full future economic impact of COVID-19 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 therefore be monitored closely and further updates will be provided to Cabinet.

#### Impact

- 3.18 Although there are still significant unknowns in terms of the length and impact of the measures put in place by the Government to tackle COVID-19, work has now commenced to understand the implications for the delivery of the Glass Works.
- 3.19 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 the scheme opening date and key access dates for tenants.
- 3.20 It is important to understand that this work is in the early stages, focussing initially on the ability to work on site with the new social distancing measures and assumptions have had to be made in relation to material lead times and the availability of site operatives.
- 3.21 Work initially focused on scenario planning for a two-month delay on site and then a three-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 three-month period.
- 3.22 The projected impact of this scenario is that the Glass Works scheme opening would be delayed from June 2021 until later on in 2021.
- 3.23 Work is also being 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).
- 3.24 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.
- 3.25 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.
- 3.26 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 an 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.

## 4.0 Future Plans & Challenges

### Next Steps

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 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.
- 4.6 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.

### Risk Management

- 4.7 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.
- 4.8 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.
- 4.9 The issue log has been updated to capture the implications of the COVID-19 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
- 4.10 Operationally there are also risks relating to the site. These include:-
- site security if the Government dictate construction site lockdown
  - site operations restricted by social distancing measures
- 4.11 Cutting across all these areas are the financial risks that the COVID-19 emergency presents.
- 4.12 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.

## 5.0 Invited Witnesses

5.1 The following witnesses have been invited to attend to answer questions from the committee:-

- Matt Gladstone, Executive Director - Place Directorate
- David Shepherd, Service Director, Economic Regeneration & Culture - Place Directorate
- Councillor Tim Cheetham, Cabinet Spokesperson - Place Directorate

## 6.0 Possible Areas for Investigation

6.1 Members may wish to ask questions around the following areas:-

- What have been the biggest challenges in responding to the pandemic?
- What are your key concerns for the future for both the community and the organisation?
- How effective have contractors been in engaging with each other and working together?
- Have problems with PPE and cleaning products now been resolved?
- Can you explain your scenario modelling in more detail, including the financial implications of each scenario, and are you putting plans in place to cover a 'second wave'?
- What assurances have been sought from contractors to ensure that the project has sufficient resources to see it through to successful completion, given the change in completion date?
- How are you going to manage the time, cost and quality of the project moving forward?
- Have the checks by the Health, Safety & Emergency Resilience Team highlighted any issues?
- What has been the wider economic impact for businesses and retail, not just in the town centre but across the borough, and what support is available to help them recover?
- When will a regional economic impact assessment be available so that the Council can work on recovery planning for businesses and retail?
- What plans have been made for spending Barnsley Council's allocation of the Government's recently announced 'Reopening High Streets Safely Fund'?
- What can Members do to support the Glass Works project and the economic recovery of the borough?

## 7.0 Background Papers

- Coronavirus Act 2020:-  
<http://www.legislation.gov.uk/ukpga/2020/7/contents/enacted>
- Construction Leadership Council Website:-  
<https://www.constructionleadershipcouncil.co.uk/>

## 8.0 Glossary

CLC	Construction Leadership Council
HBC	Henry Boot Construction
OSC	Overview & Scrutiny Committee
PPE	Personal Protective Equipment

## 9.0 Officer Contact

Anna Marshall, Overview & Scrutiny Team, 01 June 2020