



**Subject:** East Bank – Assurance Update  
**Meeting date:** 12 February 2019  
**Report to:** Investment Committee  
**Report of:** Gerry Murphy, Deputy CEO

**This report will be considered in private**

Subject to the decision of the Committee under Item 14 on the agenda for this meeting, this report is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the MDC holding that information).

**1. SUMMARY**

1.1. This report provides an update on the East Bank assurance arrangements.

**2. RECOMMENDATION**

**2.1 The Committee is asked to note the update on East Bank assurance.**

**3. BACKGROUND**

- 3.1. The Investment Committee received an update on the East Bank Integrated Assurance Strategy, the Stratford Waterfront construction assurance and second line assurance activities at their meeting in July 2018 and asked for further work to be undertaken on the roles and responsibilities of the first and second lines of defence and the scale and cost of the third line assurance.
- 3.2. The Committee received an update in November 2018 on progress on these actions. This included an update on the procurement for a new second line commercial assurance function, the revised costs of the commercial assurance, and an update on reviewing the scale and cost of third line assurance activities.

**4. STRATFORD WATERFRONT COMMERCIAL ASSURANCE**

- 4.1. The Committee reviewed the scope of services for the commercial assurance procurement at the November meeting.
- 4.2. The procurement process was run as a competitive tender under the London Procurement Partnership's Dynamic Purchasing System for Professional Services. Four suppliers were sent an expression of interest (Arcadis LLP, Gardiner and Theobald LLP, Gleeds Management Services and Turner and Townsend). Three tender returns were received on 25 January (Gleeds did not bid) and the evaluation is scheduled to take place between 29 January – 5 February with the contract award scheduled for 15 February. An update of the procurement will be provided at the meeting.

- 4.3. As noted at the November meeting, the cost of the commercial assurance has been reviewed following the market engagement and through workforce planning discussions as part of the budget setting process. The costs in the three year budget period 2019/20 – 2022/23 were reduced by s.43, from s.43 to s.43. However, the fee estimate is subject to tender returns.

### THIRD LINE ASSURANCE

- 4.4. Since the November meeting, work has continued to develop a second line report which would replace the third line's Quarterly Assurance Report. This will be circulated in advance of the meeting.
- 4.5. A meeting was held with the Chair of the East Bank Risk and Assurance Board (RAB) and the LLDC Executive in December to discuss the role and remit of the RAB. A revised approach is below.
- 4.5.1. The Risk and Assurance Board Terms of Reference covers the delivery of the FBC as a whole and includes construction delivery progress, programme level risks, strategic objectives. This remit will continue.
- 4.5.2. The proposal is that one RAB meeting per year will focus on strategic objectives and risks to delivering the FBC with a view to informing the annual reporting to government on East Bank progress.
- 4.5.3. The remaining three RAB meetings will be re-focused on Stratford Waterfront construction and, to a lesser extent, UCL East construction. These would be held as separate sessions of each RAB meeting (and may have revised partner representation as a result).
- 4.5.4. The RAB session focusing on Stratford Waterfront construction would:
- Receive updates from the LLDC Executive Director of Construction and the Mace Project Director;
  - Receive the SWF construction dashboard;
  - Receive outputs of 2nd line activities such as the new programme report, new commercial assurance report, any further T&T end of stage reports;
  - Receive outputs of RSM third line activities;
  - Review project level risk registers;
  - Review contingency draw down.
- 4.5.5. A discussion would be needed with UCL to get their views on having a UCLE construction focused session at RAB meetings, and if so, the focus and frequency of the sessions and type of second line information it would consider.
- 4.5.6. RSM's role would be refocused on risk based deep dives which would be informed by the RAB. The core-ongoing assurance activities currently undertaken by RSM which inform the current Quarterly Assurance Report (QAR) would stop and that the last QAR would be in February 2019.
- 4.5.7. Paul Morrell has been sent an open invitation to attend LLDC Investment Committee meetings.
- 4.5.8. The RAB would continue to report into the Programme Board.
- 4.6. This revised approach will be presented for discussion at the RAB meeting on 5 February and an update will be provided at the Investment Committee meeting.

- 4.7. We have held initial discussions with RSM UK, the third line assurance provider about the revised approach to assurance and a further meeting is scheduled for 4 February. An update will be provided to the Committee once these discussions have taken place including identifying potential cost savings from revising the scope and number of future third line reviews.
- 4.8. The total cost of the RSM contract is s.43 over 9 years, of which £0.844m will have been spent by the end of 2018/19 with s.43 remaining. LLDC is targeting a reduction of s.43 in the future spend on third line activities. UCL contribute s.43 to third line costs.

### STRATFORD WATERFRONT END OF STAGE 3 ASSURANCE

- 4.9. The end of stage 3 assurance on cost, risk and schedule has concluded and the report is being finalised. T&T have given the 'Cost Plan' an overall Green rating. However, T&T have rated its Stage 3 Assurance report, in its entirety, as Amber due to the significance of the programme and the level of risk currently associated to it, together with the absence of a route back to budget for both the BBC and Carpenters Land Bridge. They state that "This therefore constitutes as a reasonable basis from which to proceed into Stage 4, with caution, on condition that T&T's recommendations and concerns are addressed and closed out as a priority. On this basis LLDC intends to approve the Stage 3 cost plan, programme and risk analysis." The Executive Summary of the final draft T&T report is attached at Appendix 1.
- 4.10. The next stage is to instruct the viability report which will discharge the Viability Condition in the Agreements for Lease (AfLs) with the UAL, V&A and Sadler's Wells.
- 4.11. Consideration will be given to whether an end of Stage 4 cost assurance review is needed.

## 5. FINANCIAL IMPLICATIONS

5.1. The costs of the external assurance are shown in the table below.

East Bank external assurance costs (£k)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
Third line assurance, including RSM		42	229	253	320	193	s.43	s.43	s.43	s.43	s.43
T&T, Cost assurance (design stage) and BIM assurance (delivery/construction stage)	19	67	85	221	88	96	s.43	s.43	s.43		s.43
Commercial assurance (delivery / procurement stage)					26	276	s.43	s.43	s.43		s.43
<b>Spend to date</b>					<b>1,350</b>						
<b>Spend to go</b>										<b>s.43</b>	
<b>Total</b>											<b>s.43</b>

Note: UCL are contributing s.43 to third line costs.

<sup>1</sup> In the July 2018 report, this figure was s.43 as it included the costs of 2 procurement leads. The cost of the commercial assurance without the procurement leads was s.43 and this has subsequently been reduced to s.43.

5.2. The current cost profile is s.43 (of which £1.4m has been spent to date against the July cost profile of s.43. The reductions incorporate savings of s.43 on the third line (still to be negotiated) and s.43 on the commercial assurance (subject to concluding the tender process).

## 6. LEGAL IMPLICATIONS

6.1. There are no legal implications from this report.

## 7. APPENDICES

- Appendix 1: Draft T&T stage 3 report Executive Summary

### List of Background Papers:

Papers for the meeting of the Investment Committee 17 July 2018 and 13 November 2018 (exempt information)

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31 January 2019

# Report

Stage 3 Assurance Report

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Rev	Originator	Approved	Date
0 DRAFT	<b>S.40</b>	<b>S.40</b>	12 November 2018
1 FINAL		<b>S.40</b>	30 November 2018
2 FINAL		<b>S.40</b>	13 December 2018
3 FINAL		<b>S.40</b>	11 January 2019
4 FINAL		<b>S.40</b>	31 January 2019

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S.31

## 1 Executive Summary

This report has been prepared by Turner & Townsend (T&T) in response to the request from the London Legacy Development Corporation (LLDC) to undertake an assurance review of the Stratford Waterfront (SWFT) Stage 3 Cost Plan provided by Gardiner & Theobald (G&T).

The purpose of this report is to review the following:

- AFC and Budget
- Cost plan (VAT is excluded from our review)
- Contingency
- Inflation
- Programme

The key documents and information used for this review were:

- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02416
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02417
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02418
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02419
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02420
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02421
- 'CED Commercial Overview' document prepared by Mace, dated 11 October 2018
- 'Substructure reconciliation 18-10-18 pk' and 'East Bank – Stratford Waterfront substructure contract award draft v4'; as circulated by Mace on 27 November 2018
- 'Stratford Waterfront - MPS Stage 3 Cost Plan Package Split forecast' document, as circulated by LLDC on 28 November 2018

Post first draft revision issued 15 October 2018:

- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02471
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02472
- SW02 Transmittal - TRN issued on Stratford Waterfront 2 - Reference SW02 TRN-02474
- MP101-SW02-02-XX-Q-REP-XXXX-0400-0003 - Revised Stage 2 (220818)\_iss2\_rev (002)

In summary we have given the 'Cost Plan' an overall Green rating based on the level of confidence we have in G&Ts figures. However, due to the significance of the programme and the level of risk currently associated to it, together with the absence of a route back to budget for both the **s.43** and **s.43**, we have rated this report, in its entirety, as Amber. This therefore constitutes as a reasonable basis from which to proceed into Stage 4, with caution, on condition that our recommendations and concerns as highlighted throughout this report are addressed and closed out as a priority. Summarised details regarding the Amber and Green RAG ratings awarded can be found within the Findings Summary, in section 1.1



## 1.1 Findings Summary

Section review	RAG Status	Commentary Summary
Cost Plan	Green	<p><u>London College of Fashion</u></p> <p>Costing and Quantification allowances included within the G&amp;T RIBA Stage 3 Cost Plan are reasonable and are in line with the level of detail T&amp;T would expect at this stage of design.</p>
	Amber	<p><u>V&amp;A East</u></p> <p>In summary we have given the Cost Plan an overall Amber rating based on the level of risk currently associated with the <span style="background-color: black; color: red;">s.43</span>.</p> <p>Whilst the facade package has remained within 5% of G&amp;T's P02 RIBA Stage 2 Cost Plan; T&amp;T believe this presents a project risk as it is understood that G&amp;T have not been able to procure market advice on this package yet. As this is largely a bespoke package; T&amp;T would recommend this is market tested individually rather than making adjustments to cost data to ensure robust pricing within the cost plan.</p> <p>The overall MEP £/m<sup>2</sup> is c. <span style="background-color: black; color: red;">s.43</span> higher in comparison to Turner &amp; Townsend benchmark rate. This is partly due to abnormalities such as rainwater harvesting and Photovoltaics which are not included within the T&amp;T benchmark. However there are rates and allowances which are higher than expected and which do not offset this. These items are further discussed within the rate reviews section of our report. This would suggest there are opportunities to reduce this cost further.</p>
	Green	<p><u>BBC Concert Studios</u></p> <p>Costing and Quantification allowances included within the G&amp;T RIBA Stage 2 Cost Plan are reasonable and are in line with the level of detail T&amp;T would expect at this stage of design</p>
	Green	<p><u>Sadler's Wells East</u></p> <p>Costing and Quantification allowances included within the G&amp;T RIBA Stage 3 Cost Plan are reasonable and are in line with the level of detail T&amp;T would expect at this stage of design</p>

		<p><u>Carpenters Land Bridge</u></p> <p>In summary the majority of rates remain relatively unchanged from the RIBA 2 Cost Plan. T&amp;T have previously stated that although the bridge is highly decorative, the overall cost per m<sup>2</sup> is at the high/top end for a land/footbridge. This appears to be primarily driven by the volume of structural steel and the level of finishes which should be considered for value engineering as the scheme progresses into Stage 4. It is on this basis that the scheme has been given an overall Amber rating.</p>
		<p><u>Externals / Public Realm</u></p> <p>This Cost Plan has been rated Amber on the basis that the current rate of <b>s.43</b> is considered to be high/ top end; even when preliminaries, enabling and statutory fee elements are excluded. The higher than average rate is primarily driven by level of finishes and should be considered a priority for value engineering as the scheme progresses into Stage 4.</p> <p>T&amp;T are aware that the Substructure Package has now been tendered and awarded to P.J. Carey (Contractors) Ltd (with reference to the 'East Bank – Stratford Waterfront substructure contract award letter, circulated to T&amp;T on 27 November 2018). It is understood that an element of the enabling and substructure works have been bought and de-risked as part of the contract award process. That said T&amp;T believe there is still room to bring the £/m<sup>2</sup> public realm figure down further by undertaking potential VE opportunities listed in the main body of the report.</p>
		<p><u>Cost Plan Summary</u></p> <p>In light of the substructure package that has now been tendered at a value of £15,823,000, compared to the budget of £15,483,194, we have rated this section green.</p> <p><b>s.43</b></p> <p><b>s.43</b></p>

		<h1 style="text-align: center; color: red;">S.43</h1> <p>T&amp;T would expect G&amp;T, as appointed Cost Managers to have independent control of setting Package Budgets and Pricing Schedules issued as part of Tender Documentation; to ensure transparency and clarity of scope and budgets set at Pre-Tender stage. T&amp;T would equally expect both G&amp;T and Mace to be jointly responsible for the review of Tender Returns and Tender Recommendations to LLDC and Partners; to assure and advice on scope gaps and variance between the Pre-Tender Estimate set and that of the respective Tender Returns received and recommended. T&amp;T are aware that G&amp;T have provided LLDC &amp; Partners with a 'Stage 3 Cost Plan (3Q2018) Executive Summary' which indicates the differences in cost from 1Q2018 budgets. T&amp;T would advise these costs are reviewed periodically to ensure Development Costs are kept within the Budget parameters.</p>	
Contingency	QSRA	QRA	<p>The risk management process undertaken is in alignment with best practice however, we recommend following the updates to ISO 31000:2018.</p> <p>The end of Stage 3 total forecast equates to <b>s.43</b> of the Construction CBB. Risk appetite varies between organisations however a p80 output can be seen to be a conservative estimate. A post mitigated forecast of <b>s.43</b> has been reported demonstrating that there is scope for reductions in exposure if threats/opportunities are actively managed.</p> <p>We have reviewed the contingencies for each building and consider that they are generally within an acceptable range for Stage 3.</p> <p>As per the previous reports, we note that the cost plans are based on a large number of exclusions and assumptions however, Mace confirm that the Stage 3</p>

			<p>design and cost plan received approval from Partners on 8th November 2018.</p> <p>The QSRA is showing that there is a potential programme risk to the project (£12m cost of delay), with a high likelihood that there will be a delay to planning determination. LLDC confirm that the planning application has been submitted and actions are in place to mitigate any delay in determination therefore, reducing the risk. We recommend that the key drivers as outlined in the QSRA tornado are given increased attention.</p> <p>The quality of the QSRA output is predicated on the quality of the programme on which it is based. We note that the master programme is not detailed to the level that would be expected post Stage 3 design completion as raised in section 6 of this report and has been rated Amber on this basis.</p> <p>Notwithstanding, we note that Mace are developing a target programme with the supply chain which brings forward the LCF completion date but LLDC must proceed with caution until the contracts are let against this programme and the planning determination risk is fully mitigated.</p> <p>Schedule risk is currently modelled in the QRA but further mitigation and monitoring is required throughout the upcoming RIBA stages.</p>
<p>Preliminaries</p>		<p>Overall the preliminaries packages, allocation per building and the proportion of preliminaries split between trade contractor, MACE and Site Wide are reasonable and in line with T&amp;T in house data and benchmarking for projects of this size and scale.</p> <p>Following an in depth review of the MPS preliminaries book and the package data associated within each package, T&amp;T have given the preliminaries section a green RAG rating.</p> <p>The preliminaries information provided by G&amp;T and MACE is detailed, well substantiated and within tolerance of T&amp;T prelims benchmarking data at RIBA Stage 3. It must be noted that due to the value of some of the preliminaries packages, it is advised that any remaining provisional preliminaries allowances are investigated moving into RIBA Stage 4 to obtain firm costs for these items. It is also advised that the allocation of preliminaries between MACE and the trade contractors is checked moving into RIBA Stage 4.</p>	

		<p>The detailed review and analysis of the preliminaries packages and the T&amp;T recommendations moving into RIBA Stage 4 are located in section 3.7.2 of this report.</p>
<p>Inflation</p>		<p>In summary we have given this section an overall Amber rating. Gardiner &amp; Theobald’s cumulative five year tender price inflation forecast, spanning 2018 – 2022, equates to <b>s.43</b> percent. The Turner &amp; Townsend and average competitor forecast for London are <b>s.43</b> and <b>s.43</b> percent respectively. Both are higher than the Gardiner &amp; Theobald forecast by <b>s.43</b> and <b>s.43</b> percentage points respectively.</p> <p>In addition, the corresponding BCIS TPI forecast is <b>s.43</b> percent - <b>s.43</b> percentage points higher than the Gardiner &amp; Theobald forecast. There are only three periods, historically, and over the same time duration, where the BCIS TPI produces lower cumulative growth than <b>s.43</b> percent, these are in the years following the 1980, 1990 and 2008 recessions.</p> <p>Whilst we are in a period of heightened uncertainty and are experiencing an unprecedented event in Brexit, the inflation allowance could well be deemed too low. Only in a period of recession, are inflation allowances equal to, or lower than, the cumulative Gardiner &amp; Theobald forecast. There are a series of underlying cost pressures that pose an upside risk to G&amp;T’s inflation forecast, namely material and labour costs. It is advised that the inflation should either be increased or adequately covered within the risk register to mitigate any shortfall in the allocated inflation allowance. We note there is a reasonable risk allowance for inflation in the QRA at a sum which, in the event that inflation should exceed G&amp;T’s allowance, would cover an increase in inflation which would fall between the average competitor forecast (<b>s.43</b>) and that of T&amp;T’s (<b>s.43</b>).</p> <p>Inflation should be reviewed on a quarterly basis as a soft, or hard Brexit, will materially change the trajectory of any preconceived forecast</p>
<p>Programme</p>		<p>We have rated this section Amber on the basis that the Master programme is not detailed to the level that would be expected post Stage 3 design completion.</p> <p>Mace are in agreement on the requirement for a detailed Master programme and have confirmed that the detailed programmes will be developed in the next stage and are targeted for completion in end February 2019. There is however a level of confidence that based on the industry production rates, the project can be completed in the overall timescales although the programme in-itself needs a lot more work and detailing such that the interface</p>

		between the frame, cladding and MEP packages are easily understood.
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**1.2 Anticipated Final Cost against Budget**

For the purpose of this exercise; T&T have reviewed the CED Commercial Overview document prepared by Mace, dated 11 October 2018 to assess each buildings’ Anticipated Final Cost (AFC) against their 3Q2018 Current Baseline Budget (CBB).

We have since had sight of the latest Stratford Waterfront - MPS Stage 3 Cost Plan Package Split forecast document, as circulated by LLDC on 28 November 2018 and this is incorporated into the summary below.

Overall RAG Status	Comments
London College of Fashion	<p>The October 2018 ‘MPS Stage 3 Cost Plan Package Split Forecast’ reports that the London College of Fashions ‘Total Cost per Building’ is <span style="background-color: black; color: red;">s.43</span> under the CBB of <span style="background-color: black; color: red;">s.43</span>.</p> <div style="background-color: black; color: red; font-size: 48pt; text-align: center; padding: 10px;">s.43</div> <p>In addition to the Green RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.1 for further detail); the LCF’s ‘Anticipated Final Cost against Budget’ has been rated Green on the basis that the ‘Total Cost per Building’ is <span style="background-color: black; color: red;">s.43</span> under than the CBB and that G&amp;T have identified further value engineering opportunities to incorporate into the Stage 4 design.</p>
V&A East	<p>The October 2018 ‘MPS Stage 3 Cost Plan Package Split Forecast’ reports that the V&amp;A East ‘Total Cost per Building’ is <span style="background-color: black; color: red;">s.43</span> over the CBB of <span style="background-color: black; color: red;">s.43</span></p> <div style="background-color: black; color: red; font-size: 48pt; text-align: center; padding: 10px;">s.43</div> <p>In consideration of the Amber RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.2 for further detail); the V&amp;A Easts ‘Anticipated Final Cost against Budget’ has been rated Green on condition that the remaining £120,000 of identified Value Engineering items within the ‘Route Map Back to Budget’ will be incorporated into the scheme during Stage 4 (thereby reducing the Total Cost per Building below the CBB) <span style="background-color: black; color: red;">s.43</span></p>



	<p><b>s.43</b></p> <p>Should the additional £120k VE items are not be achieved; T&amp;T would revert this rating to an Amber as the Total Cost per Building will be over the CBB with no further Value Engineering Opportunities having been identified for V&amp;A/LLDC sign-off at this stage.</p>
<p>BBC Concert Studios</p>	<p><b>s.43</b></p> <p>It is understood that whilst previously identified Value Engineering items have already been incorporated into the Stage 2 Cost Plan; no further Value Engineering Opportunities/ Route Back to Budget allowances have been identified by G&amp;T for BBC/LLDC sign-off at this stage.</p> <p>In consideration of the Green RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.3 for further detail); the BBC's 'Anticipated Final Cost against Budget' has been rated Red on the basis that the 'Total Cost per Building' is <b>s.43</b> over the CBB and that G&amp;T have identified no further value engineering opportunities to incorporate into the Stage 3 design to ensure the scheme is within budget at the next stage.</p> <p>LLDC/ BBC must be mindful that should further funding not become available, significant scope changes will need to ensue to ensure the project budget is reduced by <b>s.43</b> to achieve the CBB target.</p>
<p>Sadler's Wells East</p>	<p>The October 2018 'MPS Stage 3 Cost Plan Package Split Forecast' reports that the Sadler's Wells East 'Total Cost per Building' is c. <b>s.43</b> under the CBB of <b>s.43</b></p> <p>T&amp;T note that the 'Route Map Back to Budget' allowance of <b>s.43</b> identified by G&amp;T has already been included the CBB reported. A further <b>s.43</b> of Value Engineering Opportunities has also been identified for SW/LLDC sign-off within Appendix C of the G&amp;T Stage 3 Cost Plan.</p> <p>In addition to the Green RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.4 for further detail); the SW East's 'Anticipated Final Cost against Budget' has been rated Green on the basis that the 'Total Cost per Building' is <b>s.43</b> under than the CBB and that G&amp;T have identified further value engineering opportunities to incorporate into the Stage 4 design.</p>

Carpenters Land Bridge	<p>The October 2018 'MPS Stage 3 Cost Plan Package Split Forecast' reports that the Carpenters Land Bridge 'Total Cost per Building' is <b>£5.43</b> over the CBB of <b>£5.43</b>.</p> <p>This structure has been rated Amber as it is presently <b>£5.43</b> <b>£5.43</b>. Whilst the forthcoming tender return may lessen the variance reported above; we are unable to forecast the extent of this. The above Amber rating is in addition to the Amber RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.5 for further detail).</p>
Externals / Public Realm	<p>The October 2018 'MPS Stage 3 Cost Plan Package Split Forecast' reports that the Carpenters Land Bridge 'Total Cost per Building' is <b>£5.43</b> under the CBB of <b>£5.43</b>. It is understood that no further Value Engineering Opportunities have been identified; however LLDC have confirmed that a Value Engineering process is underway.</p> <p>In addition to the Amber RAG rating achieved for the T&amp;T Stage 3 Cost Plan portion of this Assurance Report (refer Section 1.1 and 3.6 for further detail); the Externals / Public Realm 'Anticipated Final Cost against Budget' has collectively been rated Green on the basis that the 'Total Cost per Building' is <b>£5.43</b> less than the CBB and that LLDC and the overall £/m<sup>2</sup> is reduced in line with the Turner &amp; Townsend benchmark rate suggested in Section 1.1 and 3.6.1.</p>

The SWFT financial summary titled 'Updated forecast with higher BBC budget' stated an overall overspend of c£700k. We understand that this has since been updated and the overspend now stands at c£300k. However whilst this would appear positive, the 'Potential LLDC position' reflects a £1.3m overspend. It has been confirmed by LLDC that this position reflects their assumption that 100% of all underspends can be used to offset overspends with the exception of **£5.43** **£5.43**.

Furthermore, whilst VE has already been included within the forecasts for LCF, V&A and SW, on what we assume is a confident assumption that these can be achieved, we would note that no further VE appears to have been identified for either the BBC or CLB which remain over budget at **£5.43** and **£5.43** respectively. With currently no route back to budget clearly stated we would recommend that a VE exercise is done as a priority at Stage 3 for the BBC and Stage 4 for the CLB to allow design changes to be implemented early to limit the possibility of programme delay and to also provide reassurance that either the budgets can be met or to provide time for alternative funding to be put in place should it be required. LLDC to confirm the strategy for this.

### **1.3 AFL Scope Split and Cost Allocation**

Turner & Townsend have reviewed Appendices 4 and 5 of the LCF (UAL) and V&A Agreement for Lease(s) (AFL) set out the split into Landlord and Tenant deliverables. Essentially the Landlord, LLDC, are responsible for Externals and Shell & Core, whilst the Tenants are responsible for delivering Category A and B Fit out works.

To provide affirmation to LLDC and Partners that G&T have aligned their 3Q2018 Cost Plans in accordance with this scope split; LLDC have granted T&T sight of the aforementioned appendices only (of the otherwise confidential AFL document) to conduct a high level review only at this stage. T&T have carried out a series of independent spot checks against the Stage 3 LCF and V&A cost plans, together with a review meeting with G&T and LLDC and correspondence between the parties which has been appended to this report. Detailed findings on the scope split can be found in section 3.1.3 (LCF) and section 3.2.3 (V&A) of this report.

In summary, G&T appear to have followed the scope split as stated in Appendices 4 and 5, with the exception of agreed deviations with Mace, LLDC and respective Partners as noted in the 'AFL Alignment Check' email dated 21 January 2019. On recommendation from T&T, it is understood that LLDC have received written confirmation from G&T, as the appointed Cost Manager, confirming that they have completed a detailed review of the Cost Plan and Scope Split with the abovementioned parties, qualifying that the LCF (UAL) and V&A Cost Plans have been aligned with the AFL appendices appended to this report.

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