

Southport Cultural Centre

Expenditure Summary Report

28 May 2012



Southport Cultural Centre Expenditure Summary Report – May 2012

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1.0 Executive Summary

The Southport Cultural Centre redevelopment project was conceived in 2006/2007 to improve the sophistication of Southport's cultural offer.

What can be seen through the initial stages of the project is that a budget in the region of £22m was needed to redevelop the facility in line with Sefton Council's aspirations.

The scheme was developed from inception with Sefton Council commissioning the services of a number of specialist consultants to advise Sefton Council and develop the scheme.

The original scheme at feasibility stage of £22m was not affordable. A revised budget of £15.608m, with limited contingency allowance, was subsequently identified and allocated by Sefton Council. Accordingly the scope of the project was reduced in line with the available funding. As the project developed a number of additional requirements were identified and the scope and cost increased accordingly.

The original procurement strategy was changed by Sefton Council in order to meet the restrictive conditions of grant funding, accelerating the overall project programme by reducing the design and procurement stages resulting the project commencing on site without completing the detailed design.

The project currently has a forecast out-turn cost of £17,987,611. This represents a cost increase against the Sefton Council budget of £2.4M.



2.0 Introduction

This summary report has been prepared by Capita Symonds in response to a request by Sefton Council to provide further information regarding the capital expenditure on the Southport Cultural Centre redevelopment project. This report should be read in conjunction with cost reports and other communications issued previously. The report aims to give an overview of the history of the project from its early inception through to the current time with the project in the latter stages of construction.

3.0 Project Inception

The need and opportunity for the re-development of Southport Cultural Centre can be traced back to 2006/2007. Following work carried out by Locum Destination Consulting, Sefton Council published a report in March 2007 entitled, "Southport – Classic Resort" which, amongst other things, made a recommendation for the creation of a Cultural Centre in the heart of Southport, the purpose of which was to build upon and improve the sophistication of Southport's cultural offer. The report proposed that the Cultural Centre would be based on the existing adjoining Grade 2 listed buildings of the arts centre, art gallery and central library on Lord Street. This proposal included for the relocation of the Botanic Gardens Museum facility co-locating with the new Cultural Centre.

4.0 Feasibility

Sefton Council commissioned Levitt Bernstein, a specialist conservation/heritage architect practice, to carry out a feasibility assessment. This work, led by Levitt Bernstein in consultation with Sefton Council Arts and Leisure services, culminated in a Final Options Appraisal Report which was published in September 2008. The report relied upon input from a number of consultants including ABL Cultural Consulting (Market assessment and budget projections), Structural assessment (Curtins), Heritage Assessment (KM Heritage) and construction/project costs (Davis Langdon).

The report concluded that the anticipated cost for the preferred option of a national quality Cultural Centre incorporating a heritage gallery and museum would be £22M, excluding fit-out of the museum and art gallery/artwork. A contingency allowance of 10% was made within the estimate.

This cost estimate was based on a two year construction programme with a start on site date of June 2011 and completion in June 2013.

5.0 Funding

Following adoption of the preferred option proposed in the Final Options Appraisal report, Sefton Council reduced the overall budget for the project by £1.7M to £20.3M. At the same time Sefton Council were engaged in the process of securing funding for the project.

Sefton Council were offered a grant for the project of £4M from the Government's Sea Change project which was subsequently matched with £4M of grant from the NWDA. Further possible funding was identified by Sefton Council with £2M from the Heritage Lottery Fund, a £1M contribution from the private sector and £2M from other organisations, including the Arts Council.

Funding from the above sources totalled £13M and approval was subsequently given by Sefton Council Members for a contribution from the Capital Programme of £7.3M, making up a total available budget of £20.3M.

In January 2009 CABE, who administered the Sea Change programme advised Sefton Council that the grant offer was conditional on the capital expenditure being brought forward with a site start on site date in 2010 with a view to achieving substantial progress by early 2011. Similarly the NWDA then determined that their contribution should be expended in its entirety by the end of March 2011. The Funding Agreement subsequently determined that to enable the £4M to be drawn down, that £8M of eligible costs should be expended and that a start must be made on site in May 2010, some thirteen months earlier than the programme proposed in the Final Options Appraisal Report.



Sefton Council took the decision to accelerate the programme in order to take advantage of the £8M funding from the Sea Change programme and NWDA. As a result Sefton Council did not have sufficient time to secure the remaining £5M funding identified from the Heritage Lottery Fund, Arts Council and the private sector, before engaging in the procurement of the main building contract for the proposed works. The budget for the project was subsequently further reduced by Sefton Council by £5M to £15.3M.

In the summer of 2009, an application was submitted to the Heritage Lottery Fund by Sefton Council for a reduced £1M contribution to the project. Sefton Council had previously identified a possible funding of £2M from the HLF application but were advised that the bid would have a greater chance of success if it was limited to £1M. Sefton Council accordingly increased the budget by £1M to £16.7M.

In January 2010 the Heritage Lottery Fund advised Sefton Council that the application for the £1M grant was not approved. Sefton Council made further revisions to the budget aligning the budget to the reduction of available funding and an estimated scheme cost of £15.3M to Cabinet in January 2010.

Sefton Council sought a further £400k from Cabinet and on 6 May 2010 a budget of £15.7M for the scheme was approved.

In July 2010 Sefton Council received confirmation from CABE that, due to a Government led review of funding support to the Sea Change contribution that, all schemes would be faced with a reduction in grant support. The reduction amounted to £92k and as a consequence a further reduction in the budget was made to £15.608M.

The final approved budget of £15.608M for the scheme allowed for an equivalent contingency of £476,340, approximately 3.1% of the total available budget.

A further impact of the accelerated programme was in the development of the detailed design for the scheme. The procurement strategy for the scheme was based on a two-stage tender; the first stage being used to identify a preferred contractor followed by a second stage to develop the design and agree a robust target price with the contractor which reflected the detailed design. The accelerated programme did not allow for this second stage to be fully undertaken prior to awarding the main building contract and the start of site works in May 2010.

Lend Lease were notified as the preferred contractor by Sefton Council at the end of the first stage tender on 08 January 2010 with agreed costs for construction overheads (prelims) of £1,043,717 and profit of 2% of the total construction costs.

Sefton Council's decision to accelerate the programme was raised as a major concern in the Levitt Bernstein Design Stage E report dated 9th March 2010 issued to Sefton Council. Section 12 of report states:

" The procurement programme is driven by the constraint that the NWDA & Sea Change funding of £8m must be expended by the end of March 2011 & that construction should commence before end of May 2010. This has led to tenders being sought at stage E on incomplete design information to enable a target cost to be arrived at. It will be necessary to include a number of Provisional sums for areas where design work has not been completed & the associated risks will remain with the client."

The report further stated;

"This is a distortion of the most risk-adverse procurement option, but has been adopted by the council to maximise the chance of meeting NWDA & Sea Change spending deadline"



6.0 Project Scope Reduction

With a significantly reduced budget; £15.7M compared to £22M identified at feasibility stage, the project team were tasked with finding areas where significant cost savings could be made. The task of finding cost savings was set prior to and without the benefit of detailed design development as the period for detailed design development had been curtailed by Sefton Council in order to meet the £8M Sea Change and NWDA conditions of grant award.

As the detailed design had not been progressed, the task of identifying cost savings focussed on reducing the budget by reducing specific areas of the project scope. The scope of reductions required by Sefton Council included:

- Omission of structural works within the Library
- Omission of proposed Local History Studies into Bank Building as
- Omission of damp proof course in Bank Building
- Reduction in finishes generally
- Omission of alterations to back stage WC's
- Limit works in Bank Building to redecoration
- Omission of new ceilings for Museum galleries.
- Omission of the proposed Bank Building Lift

Following the decision to award Bovis Lend Lease preferred contractor status, further cost savings were identified by Bovis Lend Lease through their supply chain of sub-contractors. These areas included:

- Retention of studio seating
- Revise the M&E supplier
- Reduced spec of feature lift,
- Omission of acoustic wall, roof light, clerestory lantern
- Simplification art gallery roof
- Reuse of roof tiles
- Alterations to the plant room
- Reduction of the scope of the external lighting
- Omission of the re-wiring of bank Building
- Removal of the glazing to the Porte Cochere (entrance façade)

Despite the potential for cost savings that were identified in a number of areas, it has not been possible to realise the full benefit of all of these savings as a result of the re-introduction by Sefton Council of items previously omitted. Examples of this include:

- Finishes
- Refurbishment of back stage WC's
- Bank building lift
- New studio seating
- Clerestory lantern
- Art gallery roof



7.0 Design & Procurement

On 01 October 2008, Sefton Council's in house architectural team and associated technical services were transferred to Capita Symonds as part of a 10 year outsourcing partnership agreement. Sefton Council appointed Levitt Bernstein prior to this transfer date to carry out the feasibility and concept design work for the scheme. Following transfer, Levitt Bernstein were retained at the request of Sefton Council on the project as the lead architect and designer.

A tender list of six contractors was identified following responses to an OJEU pre-qualification notice. Following receipt of tenders and a cost/quality based assessment, Lend Lease were chosen as the preferred contractor at the end of the first stage tendering process. Whilst Lend Lease did not offer the lowest cost (second lowest), their submission in terms of quality was deemed to be superior.

Following appointment of a contractor as preferred contractor status, the industry standard approach for Sefton Council's preferred method of procurement of the construction works is summarised as follows:

- **Stage 1**
Award preferred bidder status.

- **Stage 2**
Develop detailed design and issue Work Packages for initial pricing by the preferred contractor.
Establish target price with preferred contractor based on detailed design.
Award main building contract based on agreed target price and programme.

The works were procured under an industry established form of partnering agreement adopting the NEC form of building contract with a 50/50 pain/gain share between the client and contractor of any increases or savings made against the target price items within the agreed scope of the works. This method of procurement is essentially a cost plus contract where the contractor is paid the actual cost of the works plus an agreed percentage fee representing the contractor's profit. A target price contract of this nature therefore carries a level of financial risk to the client. This risk was exacerbated as the target price was agreed with the contractor without the benefit of detailed design.

The project strategy was based on Levitt Bernstein developing the detailed design through to a point where construction status drawings would be issued to the preferred contractor following stage 1 tender period.

The programme for this detailed design was to take place between February and August 2010 before a start on site date of late September 2010. It was further planned that following the point at which Levitt Bernstein were due to complete their detailed construction issue drawings, the Sefton Council architectural team, which had been transferred to Capita Symonds, would oversee the delivery of the construction phase of the project. As mentioned earlier in this report, the post contract design and procurement period was curtailed by Sefton Council leaving the design incomplete prior to the agreement of the target price, programme and the commencement of site works. The works commenced on site on 28 May 10; such works primarily being site establishment and demolition.

Levitt Bernstein continued with their design development until mid August 2010, some four months after Lend Lease had commenced work on site.

8.0 Summary of Project Costs

The project currently has a forecast out-turn cost of £17,987,611 as reported in Capita Symonds Cost Report 15 dated 05 April 2012. This represents a cost increase against the Sefton Council budget of £2.4M.

In the 13 month post contract (start on site) period between May 2010 and June 2011, Capita Symonds reported a total cost increase against the budget of £682,192, as reported in Cost Report 11 dated 01 July 2011. This cost increase included additional works instructed by Sefton Council including:

- GIS modifications to the museum area required by Sefton Council - £147k
- Delayed access by Contractor to Cambridge Walks area due to protracted negotiations between Sefton Council and Landlord (Threadneedle) – £40k
- Delayed access by Contractor to site areas due to Sefton Council instructed utility (Scottish Power) works - £48k
- Addition of a new lift (Lift 2) as required by Sefton Council - £122k

To assist in the understanding of the cost increase in the the period July 2011 and April 2012 the table below tracks the principal movement in costs against those key cost drivers (see category descriptions 1 to 5 below) that have been presented in previous Capita Symonds cost reports to Sefton Council. The figures presented are rounded for the convenience of this report and should be read in conjunction with the Capita Symonds full cost report relevant to each period.

Report No	Report Date	Forecast Cost	Budget Deficit	Cat 1	Cat 2	Cat 3	Cat 4	Cat 5	Movement in Period
CR12	26.08.11	£16.38m	£776k	£82k	-	£12.5k	-	-	£94k
CR13	24.10.11	£16.98m	£1.37m	£282k	£196k	£21k	£17k	£80k	£596k
CR14	16.12.11	£17.05m	£1.44m	£72k	-	-	-	-	£72k
Letter	27.02.12	£17.52m	£1.91m	£301k	£145k	£18k	£2.1k	-	£466k
CR15	10.04.12	£17.99m	£2.38m	£447k	£21k	-	-	-	£468k

Category 1 (Cat 1) – Design development necessary to inform the building works due to the curtailment of the traditional procurement timescale

Category 2 – Additions to scope/ project specification instructed by Sefton Council i.e. client changes

Category 3 – Works required for conservation/ heritage compliance because of the grade II listed building status. The decision to instruct these works is at the discretion of the Conservation Officer.

Category 4 – Discovery of unforeseen building work requirements relating to the specific condition and nature of the building.

Category 5 – Other miscellaneous costs not covered by Cat 1 to 4 e.g. Claim by Contractor for additional commercial management, document collaboration portal (web site)

It should be noted that following Cost Report 14 in December 2011, a significant amount of the cost increase followed the adoption of a “Project close out strategy” (Technical Packs) which was proposed by Lend Lease and approved by Sefton Council. This cost has to date been categorised as design development (Category 2). A further review of these items will be required to ascertain a more detailed split between the other categories.



Certain elements of the project are under the direct control of Sefton Council and do not therefore form part of the commission placed with Capita Symonds. These are;

Client direct works e.g. utilities - Current increase over budget of £49k

Client managed costs e.g. acquisitions, relocation, fees, legal costs etc. Current increase over budget of £119k.

The current out-turn cost forecast includes a number of claims for compensation events from the Contractor, which have not yet been fully assessed and/or agreed with the Contractor by the Capita Symonds cost management team. The assessment and agreement of these claims is a function undertaken by the cost management team in accordance with the duties placed on the contract administration team under the form of contract that is used on this project (NEC). It should be noted that the out-turn forecast cost includes an allowance for identified risk items, which may or may not be expended to complete the project.

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