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Date: 06 July 2012
Our Ref: LA020/JE
Your Ref:
Please contact: Mr J Ellis
Contact Number: 0151 524 6500
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For the attention of Bill Millburn

Dear Bill

Southport Cultural Centre - Expenditure Reports – October 2011 to April 2012

We write in response to your request, made at our meeting held on Monday 02 July 2012, for further clarification on the project cost variances reported by Capita Symonds between the period October 2011 to April 2012. The following information should be read in conjunction with the cost reports and other communication issued previously.

Cost Report Summary

In October 2011 Capita Symonds submitted a cost report to Sefton Council for the period which showed a forecast expenditure of £16,980,864; a funding deficit £1,373,005 against the approved budget.

In the period following October 2011, Capita Symonds, submitted further cost reports and in April 2012 reported a forecast expenditure of £17,987,611; a funding deficit of £2,379,752 This report was a variation in forecast of £1,006,748 from that identified in October 2011.

Value of Work done

During the period from October 2011 to April 2012, approximately £2.5m worth of construction works was undertaken, advancing the value of work done in the period from £5.6m to £8.1m. The total construction costs forecast in mid April 12 was £14.05m

Contractor claims

During the reporting period from October 2011 and April 2012 the Contractor, Lend Lease, submitted 115 new claims including requests for extension of time. These claims (Compensation Events), totalled approximately £1.1m

Of the total amount claimed by Lend Lease, £480k was submitted as part of their “project close out strategy”. This “strategy” was implemented during the period from late December 2011 to the end of March 2012, following a proposal by Lend Lease and subsequent approval by Sefton Council.

Within the aforementioned period, Lend Lease made two requests for an extension of time to the contract programme from mid October 2011 to early January 2013. The associated prolongation costs claimed by Lend Lease is £140k. Currently this request for an extension of time and the associated costs is under review.

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By April 2012 approximately £820k of the claims (Compensation Events) submitted during the period between October 2011 and April 2012, had been accepted subject to the terms and conditions of the contract and approximately £280k were subject to further review and substantiation. Approval by Sefton Council was granted for expenditure of all additional costs. A detailed list of the new Compensation Events raised in the period and their status was issued under cover of email (Ellis/Millburn) on 29 June 2012.

Summary of change to construction costs

A schedule of all of the construction cost changes are documented in each of the cost reports prepared by Capita Symonds and submitted to Sefton Council. These changes include both additions and omissions in accordance with the administration of the contract. The changes also take account of any variations between the current agreed target cost and the actual cost with adjustments made to reflect the client and contractor pain/gain share mechanisms built into the terms of the partnering contract. As a result each report includes a number of changes with a wide range of values, all of which need to be considered to gain a full picture of variations in any cost reporting period. Notwithstanding this, a summary of the most significant items of change to the construction costs covered by compensation events between the period between October 2011 and April 2012 is given below:

- Claim for extension of time and associated prolongation costs from the period of 19 October 2011 to 3 January 2012 against the contract Accepted programme (CE225 & CE268) £140k
- Painting and decorating to walls and ceilings. Extra over cost of the painting and decorating works throughout the building. Original provisional sum allowance contained in the target cost contract agreement not sufficient to cover the actual cost of works. (CE338) £79k
- Additional works to accommodate a new lift - Lift No 2. Works included demolition and removal of floors, internal wall alterations, new lift shaft and lift pit. (CE230, CE234, CE300) £73k
- Main Auditorium – level 1, level 2 and theatre ceiling. Works included moulding and plaster patching repairs, boxing out and plastering of existing internal rainwater pipes additional bulkhead to the minstrels gallery, removal/reinstatement and repairs to existing timber floors, additional timber frame above light and sound lobby and new window to match existing. All works identified as part of the Project close out strategy (CE301: TP2) £70k
- Art gallery roof area (Roof 1 to 5 inclusive) and lift 2 enclosure. Works included additional timber bearers, new drainage and liquid plastic guttering and cladding. All works identified as part of the Project close out strategy (CE294: TP1). Additional costs include provision of scaffold access (CE328) £42k
- Studio Theatre. Works included steelwork modifications and connections to new rake, extension to studio roof void gantry with additional platforms, plaster repairs, and new plasterboard to existing masonry walls. All works identified as part of the Project Close out strategy (CE313: TP3) £38k
- Doors and Ironmongery. Additional scope of work following design development of the joinery package (CE241 & CE242) £34k

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- External Works to front of building. Works included new paving to ramp, cycle racks, service trenches and totem bases, refurbishment of Victoria Passage metal gates, repairs to paving damaged by Scottish Power and cleaning of existing paving on Lord St elevation. All works identified as part of the Project Close out strategy (CE334: TP6) £34k
- Ground floor café and kitchen and first floor back stage area. Works included brickwork repairs, removal and replacement of timber floor to install new heating system in café, plaster repairs, white-rock hygienic wall cladding to kitchen, tongue and groove timber boarding to servery area, screed repairs to express zone. All works identified as part of the Project Close out strategy (CE325 and CE326: TP5) £33k
- Ground floor reception and adjoining areas, substation and unit 4 frontage. Works included plaster repairs, block-up of openings, skirtings, stud walling, new latex, damp proof membrane and timber overboarding to floors, new bulkhead, power and data runs and electrical works. All works identified as part of the Project Close out strategy (CE340:TP6) £31.5k
- Supply and installation of new sliding & folding partitions to the main auditorium and studio theatre areas to provide visual and acoustic barriers. (CE282) £29k
- Clock Tower high level inspection & repairs works comprising repairs to weather damaged timbers, dry rot repairs and decorations. Works involved erection of additional scaffolding provided to gain access to carry out the works. (CE269 & CE333) £25k
- Ground floor Library area. Works included plasterboard stud walling, plaster repairs, brickwork repairs, timber flooring and high level beam repairs. All works identified as part of the Project Close out strategy (CE336:TP6) £25k
- Ground floor main foyer areas. Works included repairs to mosaic tiling, plaster and masonry repairs, timber structure to support glazing, new plasterboard wall to foyer entrance, timber repairs, archway feature. All works identified as part of the Project Close out strategy (CE335:TP6) £23.5k
- Bank building ground floor areas. Works included wireless switch controls, ductwork and pipes for radiators, timber and plaster repairs, new cill boards to windows, plaster boards to external wall, window reveals and bulkheads, restoration of fireplace and tiling. All works identified as part of the Project Close out strategy (CE339:TP6) £20.5k
- Plastering repairs to Museum Galleries, associated storage areas and circulation/staircase areas. Works included removal of damaged plaster, patch repairs to existing plaster, rendering of walls and installation of gypline plasterboard with new patressing. All works identified as part of the Project Close out strategy (CE286: TP1) (CE286) £20k
- Building works for mechanical and electrical services risers. Works in connection with riser B, C & F, gas riser and control room riser. All works identified as part of the Project Close out strategy (CE312: TP3) £20k

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- Additional building and external works to Sharrock Street area including repairs to existing tarmac surface, new cast iron rain water pipes , drainage, street lighting alterations, door relocation and refurbishment and provision for CCTV. All works identified as part of the Project Close out strategy (CE293:TP1) £17k
- Main Circulation areas. Works include plasterboard to walls in area between circulation space and main theatre, removal and re-use of existing timber skirting, repairs to existing ceilings, new ceilings, timber/steelwork bulkheads, making good brickwork and mezzanine level drainage connections. All works identified as part of the Project Close out strategy (CE316:TP4) £17k
- General building works and repairs to Picture Store & Museum areas including door alterations, new structural steelworks, floor screed repairs, plasterboard works, making good of walls and repairs to concrete columns. All works identified as part of the Project Close out strategy (CE285:TP1) £15k
- First Floor Theatre bar. Works included new floor screed and timber floor to accommodate floor level differences, plasterboard to walls, new window to replace Juliet balcony void, new timber window cills. All works identified as part of the Project Close out strategy (CE314:TP4) £15k
- Additional padstones to provide adequate foundation bearing support for structural steelwork columns in various areas as required by the structural engineer to meet requirements of building regulations. (CE306) £12k
- Minstrels Gallery second floor area. Works included new plasterboard to walls, new penetrations to accommodate services ductwork, construction of brickwork, timber and plasterwork for feature archway. All works identified as part of the Project Close out strategy (CE311:TP3) £12k

Client direct costs and non-contract work changes

During the period from October 2011 and April 2012, Sefton Council notified Capita Symonds of an increase of £40,837 to the forecast of their direct costs. In addition to this there was an increase in costs associated with non-contract works of £24,699. These changes effected an overall increase in cost to the project of £65,536.

Risk Allowances

In Cost Report 13, submitted in October 2011 a total allowance of £560,347 for identified risks were made. During the period from October 2011 and April 2012 these allowances were reviewed and adjustments made accordingly. The effect of these was an overall reduction of £2k for known risk items.

We trust that the above is of assistance however should you require any further information please do not hesitate to contact me.

Yours Sincerely

Jonathan Ellis
Operations Director

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