



DERBY CITY COUNCIL

COUNCIL CABINET
18 December 2007

Cabinet Member for Leisure and Direct Services

ITEM 17

QUAD Progress Report

SUMMARY

- 1.1 The construction work on the QUAD building has been progressing well. Some difficulties were encountered in the early stages when a number of obstructions were discovered in the sub-soil under the site. Soon the character of the building will begin to emerge as we fit the stone cladding and the glass curtain walls. These will convert a concrete skeletal structure into a building with character and excitement.
- 1.2 The contractor has now forecast a delay in completion of the construction phase. In the absence of any further delays in the construction phase, the building will be fully equipped and ready to open at the end of July or early in August 2008.
- 1.3 A high profile series of visual art exhibitions is being planned for the first six months of the opening period. The QUAD Board has used a mixture of international ambition and a sense of local place in order to create an initial programme which will have impact across the region and beyond. The cinema offer in QUAD will be distinctive and international in flavour: it will help to transform the film offer in the city centre. QUAD's bar and catering offer is destined to become one of the best places to meet, to talk and to be inspired in the whole of the city centre.
- 1.4 The QUAD Board and the City Council have worked together intensively since this project began in order to hold the project within its original budget. A number of factors, however, necessitate adjustments to the original plans, so that contingency funding can be made available to ensure that the project can be completed to the quality level required.

RECOMMENDATION

- 2.1 To confirm a contingency sum of £500,000 to support the approval capital project budget described in paragraph 1.3 of the Financial Implications.

REASON FOR RECOMMENDATION

- 3.1 The introduction of QUAD into the cultural life of the city was always designed to raise our game significantly in terms of the artistic experience of Derby people and the cultural reputation of Derby across the region and across the UK. There is every prospect that these ambitions will be fulfilled.

- 3.2 During the course of the construction period costs have not stood still. Our efforts alongside the QUAD Board to contain costs have been successful on many fronts, but the construction industry has been going through a period of extraordinary volatility.
- 3.3 The five months remaining of the construction work carry an element of risk from unforeseen circumstances.



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Report of the Corporate Director of Regeneration & Community

QUAD Progress Report

SUPPORTING INFORMATION

- 1.1 Taking into account a delay in the completion of the construction phase, the building will be opened in July or August 2008.

As the work progressed we have matched most cost over-runs on one part of the project with savings in another part. Where an increase in cost can be attributed to a consultant's or contractor's error, we shall pursue them to cover the difference.

QUAD is a unique building on a tightly confined site. Our original contingency sum within the project was 6.8%.
- 1.2 Internal walls are now being fitted into the building and initial services containment is being installed. The plant room on the roof has been erected. The glass work which constitutes a major piece of public art on the façade of the building overlooking the Market Place has now been fitted. The artist Angela Verdon, working with Royal Crown Derby is making good progress on her ceramic installation in the entrance hall.
- 1.3 The Capital Project Team, supported by specialist consultants, have been actively involved in cost control since the project was initiated. This work included fortnightly meetings of the full design team. Value engineering has been carried out on every parcel of work and savings have been implemented wherever feasible. The following factors, however, have resulted in irresistible upward pressures in the costs of the construction phase:
 - Obstructions discovered in the ground under the site
 - Cost of redirecting services and creating retaining walls
 - Curtain walling, windows and glasswork costing more than the original estimates
 - Increased costs for ICT installation in the building
 - Costs of screed higher than estimated
 - Replacement of a specialist stone cladding contractor
 - Additional costs from the delay in completion
- 1.4 The result of these cost pressures is that the contingency for the QUAD project needs to be reviewed to ensure that approval for any future essential work can be given immediately, without incurring further delays in project completion.
- 1.5 In the circumstances it is sensible to provide a contingency sum which would be committed only if the successful completion of the project depended on it. The best case scenario is that we shall need £290,000 in the contingency. In the worst case scenario this sum could rise by an additional £210,000. Every effort will continue to be made to minimise any increase in cost.

- 1.6 Our funding partners have indicated that they would not wish to increase their investment beyond the large sums which they have already committed. Our major funders, Arts Council of England, East Midlands Development Agency, Derby and Derbyshire Economic Partnership and the European Union have already committed over £8m. We continue to liaise closely with our funding partners in order to explore any avenues for support from them. The best prospect for easing the pressure has been offered by Derby and Derbyshire Economic Partnership: the Partnership has recognised the impact and value of the proposed scheme to upgrade the landscape to the eastern end of the Market Place around QUAD, in line with the Public Realm initiative.
- 1.7 DDEP have agreed to provide a grant to cover the entire cost of this work. The success of that bid would unlock funding within the QUAD project and from the Council's Public Realm Programme, amounting to £530,000. This comprises £180,000 remaining Council capital allocation to QUAD landscaping and £350,000 allocated from the Public Realm programme for the "Market Place eastern end improvements" project, which covers the same area. That funding could then form the new QUAD contingency.

OTHER OPTIONS CONSIDERED

2. We have examined a number of other outcomes including:
- Holding to the original budget figure: this would mean that the construction of the building would take up a disproportionate amount of the overall project funding, resulting in a cash squeeze at the end of the construction work, which would become evident in inadequate and poor quality furnishings, finishings and equipment
 - Increasing the fundraising target beyond the initial £500,000. Currently £200,000 is pledged. Feedback from our fundraising specialists indicates that the £500,000 is achievable, by the target date of September 2008, but it would not be prudent to push the target beyond this figure
 - Approaches have been made to our major funders to assess whether additional investments could be obtained. All have reaffirmed their intention to remain within their initial allocations for the project, except for the help now confirmed from DDEP
 - To delay further work on the project while funding is sought from other sources, as yet unidentified. The search for such additional funding is unlikely to be successful as all avenues have been explored already. The search would take additional time and any delay in the progress of the project is likely to result in additional costs.

For more information contact:
Background papers:
List of appendices:

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None
Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 The total QUAD project budget is £10.308m.

The proposal is to add a contingency of 0.5m

Approved capital project budget	£10.308
Additional contingency proposed	<u>£0.500</u>
	<u>£10.808</u>

- 1.2 The additional requirement to ensure that the building will open on time and with an appropriate level of quality in its finishes and equipment would be £290,000, possibly rising by an additional £210,000, depending on additional costs that may yet arise. These two figures together make up the proposed contingency of £500,000.
- 1.3 Provision can be made for this through the recycling of funding previously earmarked for the landscaping work at the eastern end of the Market Place. The Council has made an allocation of £200,000, of which £180,000 remains after initial design costs, and the Public Realm Programme has an allocation of £350,000. This gives a total available of £530,000.
- 1.4 DDEP have agreed to grant aid the landscaping work at the eastern end of the Market
- 1.5 Within the original funding plan, QUAD Ltd agreed to adopt an independent fundraising target of £500,000. £200,000 has been pledged to QUAD so far, and the target remains achievable. In the meantime, the project budget contains this amount, and the Council will spend it on the expectation that QUAD will provide reimbursement. If the full amount cannot be reimbursed to the Council by March 2009 QUAD Board fully understands that it will be clawed back through revenue grant payments.

Legal

- 2 These proposals make no changes to the legal arrangements for the QUAD project.

Personnel

- 3 The QUAD Board is an independent organisation, part funded by the City Council. It will employ its own staff to run the QUAD building and all of its activities. There are no implications for City Council staffing levels.

Equalities impact

- 4 The QUAD building will transform access to high quality visual art in the city for residents of Derby and visitors. The remarkable traditions developed by the Metro Cinema and Q Arts will be perpetuated under the QUAD banner and disadvantaged communities will be engaged in arts activity at a level unprecedented in the city.

Corporate Priorities for Change

5. The completion of the QUAD building and the commencement of the QUAD artistic and community programme support three crucial priorities for the city
 - **making us proud of our neighbourhoods**
 - **creating a 21st Century city centre**
 - **supporting everyone in learning and achieving**