

PROJECT DOCUMENTATION

EXCEPTION REPORT



< Storey Creative Industries Centre – Little Gallery Roof >

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**This Project Utilises the Lancaster City Council
Approach to Managing Projects (LAMP) Methodology**

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Project/Programme Board: Storey Project Executive Team

1. Background

In the original £5m plus project all rooms, floors, annex and buildings were to be restored and or developed. Due to a reduction in total project grant, the Construction (formally Design) Team were asked to recommend areas of the project site to be “mothballed” i.e. excluded from restoration work. The Construction Team suggested, as part of the cost cutting exercise, that the Little Gallery be “mothballed”, even though at the time (late 2006) it was known that a section of the roof needed repair.

At the beginning of 2007 John Angus (CE of Storey Gallery) raised the issue as a request for change asking that the roof be repaired. Taking advice from the architect (Anthony Dalby) supported by Conlon Construction Ltd. it was felt that 1. the damage at that time was not serious, 2. it did not represent a serious issue or risk to the project and therefore 3. it was decided not include the Little Gallery roof within the revised works to be done.

At a recent Pre-commencement (Construction Team) Meeting held at the Storey Building on Friday 21st September 2007, the Project Leader for Buro Happold (Sarah Cropley) pointed out that the damage to the Little Gallery roof had become much worst over the last few months.

The Project Manager was shown the problem and (as it was raining heavily that day) water was flowing freely down the adjoining wall and dripping onto the wooden floor. Sarah Cropley (a Structural Engineer) was of the opinion that the leaking roof, if not repaired, would represent a serious structural risk to the building within the near future, 2-4 years. In her opinion, the damage to the gutter and obvious wet rot to the wooden cross beam could if left unchecked result in:

- The main roof beams becoming infected with wet rot
- On drying, the spread of dry rot
- Dry rot spreading across the roof and into the main building
- Water leaking through the Little Gallery floor into the Lecture Theatre below

When asked to estimate the work and costs needed to repair the roof Sarah Cropley stated that it is not possible to accurately estimate the costs of repair without knowing the condition of the main roof beams but that in her opinion the beams “appeared” be in good condition. If the main roof beams were not water damaged the repairs to the roof could be limited to the internal wooden cross beam (this needs replacing) and the external lead guttering.

Sarah Cropley stressed, if left, the whole roof (a large, elaborate wood, glass and lead structure) would eventually need replacing at an estimated cost of £50,000 (a figure suggested by the architect, Conlon Construction Ltd. And agreed to by LCC’s QS.

The estimated cost for the limited repair of just the worst leaking areas of the roof adjoining the Main Gallery wall is £8,000. A figure suggested by the architect, Conlon Construction Ltd. and agreed to by LCC’s QS.

Please note: The Bill of Quantities will include details of the roof repairs and costs and this will be issued to the PET by 12th October 2007. Due to the fact that the NEC 3 contract will specify a Guaranteed Maximum Price GMP and there are no other sources of funding available within the Bill of Quantities i.e. all unforeseen work will either not be done or paid for by reducing funds from other budget lines.

The Little Gallery Roof will not be included within the Bill of Quantities.

2. Issue Log Ref: 15 & 31

Issue 15 was raised by John Angus CE of Storey Gallery on 12th January 2007 who requested that the Little Gallery roof be made water tight. It was decided at the time to “mothball” the Little Gallery as part of a cost cutting exercise.

Issue 31 was raised by Sarah Cropley, Project Leader from Buro Happold on 21st September 2007. Sarah pointed out the damage to the roof had become a lot worst.

3. Consequences

In particular specify how the following aspects of the project will be affected if no action is taken:

- Business case
In this case as the project was developed pre LAMP, the consequences to the Business Plan is that plans to hire the Little Gallery out for even minimal rent will not be possible. Therefore predicted income will be less than anticipated in the current 5 year budget and the expenditure (repairs) budget line will be much greater.

A more serious consequence (which relates directly to previous severe cuts in costs resulting in areas being mothballed and a reduction of the quality of finishes) is that the project may not be able to deliver a building which is fit for purpose. I.e. the “restored” building is not able to generate an appropriate income and therefore not able to support a viable business.

Please note: It is important that the current level of confidence in the project is maintained by all partners, particularly the SCIC Board who are being asked to manage the restored centre, generate the required income and achieve the agreed outputs with no post opening revenue support from the Council.

- Project objectives
None.
- Project scope
In reality the Project Scope covers the whole building complex and therefore there are no changes scope but ***it should be noted that the Little Gallery is outside of the current cost specifications/work programme*** i.e. is not included in any construction budget line or list of work to be done, even if an under spend is generated.

In addition, a recent Construction Team Meeting has recommended to the PET that any savings identified should be reserved to repair the main roof, please see Exception Report – Storey Main Roof 26th September 2007.

- Project timescales
In terms of the construction phase time scales, there will be no consequences.

In terms of the post restoration (income generating) activity time scales, there will be an impact on the length of time it takes for the centre to become financially viable and therefore remain dependent on grant support (most likely to be applied for from Lancaster City Council).

- **Project costs**
At present the total project costs are £4,586,296, this includes £900,000 of 'in kind' match therefore the actual cash available to renovate and convert the **current agreed parts of the building** and pay for pre opening revenue activity is strictly limited to £3,686,296. This means there is only £3,243,270 for capital works and £211,580 for fees (the remaining £231,446 for other activity, funded by LCC e.g. the retaining wall, revenue costs and marketing and ACE NW, mainly marketing & public art work).

In short, there are no funds identified within any budget line to pay for the repairs.

- **Project quality**
There will be no short term consequences for the quality of finishes to the main building (product). The quality of the environment of the Little Gallery is currently so poor it would not be possible to let the space and if the damage is not repaired the quality of the environment of the Lecture Theatre will also deteriorate quickly. The problem could spread into the main building within 2-4 years.

4. Available Options

Option 1 – Do nothing

In a worst case scenario, the consequences of doing nothing could lead to a failure of the Little Gallery roof structure, the need to replace the entire roof, mayor damage to the floor and Lecture Theatre ceiling and the spread of dry rot into the main building.

Option 2 – Fund the repairs from the existing capital budget of £3,243,270

This option is open, but if taken it would have serious consequences on the project (as presently agreed by all partners and described in the Bill of Quantities currently being drafted by the contractor), namely:

- It would involve a major re-costing exercise.
- It would involve a delay in the issue of the Bill of Quantities and delay in exchange of contracts.
- It would involve either additional areas being "mothballed" and/or a reduction of quality of finishes to areas.

Option 3 – Fund the repairs from possible savings from the main works i.e. capital budget of £3,243,270

It should be noted that the possibility of making any savings is, at present, remote.

This option is open, but if taken it would have serious consequences on the project (as presently agreed by all partners and described in the Bill of Quantities currently being drafted by the contractor), namely:

- It would involve a reversal of the current recommendation that all savings be reserved for the repair of the main roof.

- It would involve a major re costing exercise.
- It would involve a delay in the issue of the Bill of Quantities and delay in exchange of contracts.
- It would involve either additional areas being “mothballed” and/or a reduction of quality of finishes to areas.

Option 4 – Fund the repairs from possible savings from the retaining wall budget line of £45,000

It should be noted that the possibility of making any savings is at present remote.

Although using possible savings from this budget would mean the repairs to the Little Gallery could be treated as a separate “contract” it would involve:

A reversal of the current recommendation that all savings be reserved for the repair of the main roof.

Option 5 – Seek additional funding from external sources

This option would be difficult to achieve in that the author knows of no funding programme that would support (in isolation) the repairs needed to the Little Gallery roof. Having stated this, the author has applied for additional funds to restore the Lecture Theatre below the Little Gallery from NWRDA, if the application is approved it may be possible to include this repair work within the restoration costs for the Theatre. But, the process could be time consuming (a couple of months for possible approval from NWRDA and up to a year for an alternative application) and if unsuccessful the project could be left with a serious problem in several months time; with a substantially increased repair bill.

Option 6 – Lancaster Council funds the repairs

The Council agrees to classify this issue as an “emergency repair” and fund the work from internally resources.

If agreed the repair work could be carried out immediately at no cost to the main project budget and therefore at no increase risk to the project.

5. Recommendation

The most attractive option would be to pay for the repairs from possible savings but if this option were chosen the main roof could be put at serious risk, both in terms of the area of roof which could be restored and to the quality of finish (this will affect the length of time before repairs have to take place again).

In addition, due to previous severe cut backs, the quality of internal wall & floor finishes have been driven down to a bare minimum and to mothball other areas would impact upon the future income generating capacity of the project.

Therefore It is recommended that Option 6 should be the preferred option.