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| Committees: Barbican Finance and Risk Committee [for decision] Barbican Centre Board [for information] Operational Property and Projects Sub Committee [for decision] | Dates: 7 November 2022 17 November 2022 23 November 2022 |
| Subject: Barbican Centre- New Retail Unit Unique Project Identifier: 11584 | Gateway 6: Outcome Report Light |
| Report of: CEO, Barbican Centre Report Author: Angela Murphy | For Decision |
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Summary

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| 1. Status update | <p>Project Description: The project consists of forming new floor area within a void space near the theatre, to create a new shop which will replace the existing shop unit. The area directly below the new floor and hospitality space will be incorporated into the shop, linked by a staircase and an access lift.</p> <p>RAG Status: Amber (Amber at last report to Committee)</p> <p>Risk Status: Medium (Medium at last report to committee)</p> <p>Costed Risk Provision Utilised: CRP was not part of the project management process during the life of the project</p> <p>Final Outturn Cost: £664,013 excluding staff costs.</p> |
| 2. Next steps and requested decisions | <p>Requested Decisions:</p> <p>Members are asked to note the content of the report and approve the closure of this project.</p> |

3. Key conclusions

The budget increased by 16% against the Gateway five report and there was a slippage of two months on estimated practical completion.

Main objective - The main project objectives were as follows:

- Increase the Barbican Centre's level of income by investing in a bigger and better retail space in an area of the Centre which attracts more footfall as per the original NPV forecasts **This was partially achieved (please see finance comments)**
- Make a space that was adaptable and accessible to all **This was achieved**
- Have sufficient volume of space to enable product development and to fully reflect the variety of artistic work that takes place at the Centre **This was achieved**

Reasons for variance - The budget for these works increased from the original estimates in 2013 due to inflation, and because the scope of works increased (eg: an additional wheelchair lift, structural works and glazing for the shop's enclosures). Delays to delivery resulted in an upheld claim for loss and expense, and an additional cost for display cabinets was also incurred, as outlined in an issue report in November 2016.

Finance observations

The investment initially had a repayment of 1.8 years. This took slightly longer at 2.8 years, though due to operational success in 16/17 we paid the loan fully in 16/17.

The income with investment, over five years, was projected at £7.47M. The actual income was closer to £3.4m.

The projected income was based on a yearly attendance higher than was achieved and the final year was impacted by COVID.

An internal review as to the reasons for an income drop included customer surveys, and external benchmarking. It became clear that there were a number of issues and challenges facing the Barbican retail operation - specific areas of concern identified included:

- The customer journey
- Our value proposition

- The environment both in store and out, look and feel.

A highly experienced external agency (20.20) was appointed in November 2018 to undertake a full review. They were commissioned to determine factors driving performance and recommend improvements.

20.20, presented a report in February 2019:

Firstly, they identified that setting foyer retail performance against venue ticket holder numbers did not reflect the observed biggest shopping audience.

Looking at the product offer, it was identified by 20.20 that our product range, which is well received and liked by our customers, is dominated by a small percentage of popular items. The wide product offer demonstrates a broad choice for customers, but the large number of underperforming products needed to be addressed.

From an Environment perspective, it was noted in the report that the foyer shop struggles with its visibility despite its location on the foyer, with additional challenges inside the shop.

Actions taken by Retail

Physical Shop:

- Arranged for the reduction in the height of some fixtures to allow for a better shopping experience
- Retro fitted several fixtures with lights and shelving/hanging options to add light to the Ground floor level and increase display options
- Fitted back drops to the window displays to allow for more impactful displays and removing the disruption to displays of the sightline through the shop.
- When the Foyer carpet was changed in 2020, the shop retained the existing floor to help differentiate it from the wider space

Product:

- Through regular analysis, have made efforts to smooth our pricing architecture and ensure we are offering the right amount of product at different price points.

- Regularly review poor performing items, both in terms of sales and margin, making decisions on their future in store based on the rationale for their presence.
- Continual work to improve our range through developing our own product and sourcing new products that will fill gaps in the current offer and speak to our audiences.

Reporting:

Now measure in store conversion, using a people counter system on the Foyer Shops two entrances/exits. This allows us to more effectively measure store footfall and conversion and use this data to more accurately budget.

Main learning and recommendations

1. Practical completion was certified in December 2016 with a month for the contractors to remedy snags. However, the certificate of making good could not be issued until November 2019.
Recommendation: review project closure procedures to ensure these are given a higher priority for completion.
2. The Barbican Centre agreed to pay a loss and expense claim by the contractor due to delays in 2016
Recommendation: a more vigorous approach by both the consultant CA and PM may have recouped some of the L&E costs by claiming for LADS when this was an option.
3. The initial financial profiling of the impact of the shop was not accurate.
Recommendation: greater research and market testing.
More cautious forecasting

Design & Delivery Review

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| 4. Design into delivery | The design of the project i.e. the process/method in which we agreed to the works was appropriate. In hindsight, however, a time allowance should have been incorporated to allow for delays due to access issues |
| 5. Options appraisal | <p>This project commenced with a “combined gateway 1/2/3/4 project proposal and options appraisal”.</p> <p>The recommended option was to have carpet instead of stone flooring and a reduced number of display cabinets (at a saving of £69k). This gateway was approved in October 2015. However, a separate tender exercise was then undertaken to procure the display cabinets at a total cost of £52,150. In addition, a further £44,681 was identified as an increase in projects costs in an issues report issued in November 2016 but the report requests the budget is increased to £65,681 due to the “fast and fluid nature of the project and claims consciousness of the contractor “as the PM of the time noted.</p> <p>More robustness at the time with a baseline or freeze of scope should have been established to avoid the scope creep that took place</p> |
| 6. Procurement route | <p>City Procurement undertook an open tender for the works with a tender evaluation ratio of 60% on quality and 40% on price. Post-tender interviews (attended by the architects, QS, City Procurement and Centre project staff) were conducted with the three most economically advantageous bids and Forcia were ranked first as a result of the evaluation.</p> <p>The approach taken allowed for numerous suppliers to bid for the work. This provided a variety of options and a high chance of finding a contractor capable of delivering the project. However, there were a number of budget alterations and contract claims post tender suggesting what may have appeared the most economically advantageous tender being not such post tender.</p> |
| 7. Skills base | The project manager for this Scheme changed more than once during the planning and delivery stages of the works. The current skills base of the project team is now sufficient to undertake projects such as these. The author cannot comment on the skills base of the PMs who were involved during the active periods of the scheme as they are no longer employed by the City. |
| 8. Stakeholders | Stakeholders are satisfied with the outcome of the project. There was a delay in remedying defects due to understaffing/workload between PC and actual completion, which caused an issue with both the vitrines and the closure of the sliding doors on level G. |

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| | This caused minor interruption to business as usual and is now resolved |
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Variation Review

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| <p>9. Assessment of project against key milestones</p> | <p>Original estimated project end date (as per gateway 5): October 2016</p> <p>Actual project end date: Certificate of Practical Completion - December 2016 Certificate of Making Good- November 2019</p> <p>The two month's additional time in getting the works to PC, has a negative effect on overall project costs. This could have been mitigated by counter claiming for Liquidated and Ascertained Damages i.e., by issuing a non-completion certificate once the deadline for completing snagging items had been reached (Friday 3rd February 2017).</p> |
| <p>10. Assessment of project against Scope</p> | <p>This project did experience some scope creep. This may have been mitigated by clearer consultation with stakeholders in order to baseline the scope.</p> |
| <p>11. Risks and issues</p> | <ul style="list-style-type: none"> - Scope creep added costs to the scheme - Costs due to scope creep added to the budget for both contractors and consultants - The chosen contractor's tender included a number of non-costed provisional items which were later to be deemed necessary - Delays caused claims by the contractor which were considered reasonable and a loss and expense sum was paid |
| <p>12. Transition to BAU</p> | <p>There is no record to indicate that transition to BAU was problematic, and the shop is now fully functioning.</p> |

Value Review

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| <p>13. Budget</p> | <table border="1"> <tr> <td data-bbox="491 1720 783 1868"> <p><i>Estimated Outturn Cost (G1-4)</i></p> </td> <td data-bbox="783 1720 1390 1868"> <p>Estimated cost (including risk): £589,000 Estimated cost (excluding risk): £589,000</p> </td> </tr> </table> | <p><i>Estimated Outturn Cost (G1-4)</i></p> | <p>Estimated cost (including risk): £589,000 Estimated cost (excluding risk): £589,000</p> |
| <p><i>Estimated Outturn Cost (G1-4)</i></p> | <p>Estimated cost (including risk): £589,000 Estimated cost (excluding risk): £589,000</p> | | |

| | | <i>At Authority to Start work (G5) £</i> | <i>Final Outturn Cost</i> | <i>Difference</i> |
|---|---|--|---------------------------|-------------------|
| | <i>Fees</i> | 102,685 | 119,013 | 16,328 |
| | <i>Works</i> | 408,452 | 488,500 +26,000 (L&E) | 106,048 |
| | <i>Purchases</i> | 68,483 | 52,150 | -16,333 |
| | <i>Enabling works</i> | 2,500 | 516 | -1,984 |
| | <i>Asbestos works</i> | 4,000 | 1,150 | -2850 |
| | <i>Building Control</i> | 2,900 | 2,900 | 0 |
| | <i>Costed Risk Provision</i> | nil | nil | 0 |
| | TOTAL | 589,020 | 690,299 | 101,209 |
| | <i>Staff Costs</i> | 40,000 | 43,500 | 3,500 |
| | <p>Please confirm whether the Final Account for this project has been verified.</p> <p>It has been verified</p> | | | |
| 14. Investment | As outlined above | | | |
| 15. Assessment of project against SMART objectives | The general objectives of the project were achieved. The retail unit was relocated to a larger, two floor area, near the Silk Street entrance, and offers a wider range of products in a more ergonomic environment | | | |
| 16. Key benefits realised | Retail is satisfied with the larger retail space they now have which enables them to offer a wider range of products. Please see the financial analysis of the project against forecast benefits for further information. | | | |

Lessons Learned and Recommendations

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| 17. Positive reflections | The retail unit is in keeping with the design and identity of the Barbican Centre. |
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| | <p>It is larger and more centrally located than the previous shop, which has now been successfully converted into an interactive play and learning space for the under-fives.</p> <p>Procurement route allowed for numerous suppliers to submit a tender which increased the chances of being able to find a supplier capable of delivering the project.</p> |
| 18.Improvement reflections | <ol style="list-style-type: none"> 1. Baseline scope, with input from stakeholders at an earlier stage, so that costs and scope are not allowed to creep 2. Provisional items in tender returns to be considered with caution and scored accordingly. 3. Handover notes and detailed audit trail to enable new PMs to understand the rationale of previous PMs decisions 4. More robust management of contractors, contract administrators and the external project team 5. Consider the use of a Clerk of Works for quality management on site. <p>Retail continues to record footfall and products on offer both in the shop and on-line.</p> |
| 19.Sharing best practice | <p>All reports and project files should be stored on the projects drive, accessible to all project team members. This allows for business continuation when PMs leave. They will be referred to during the planning stage of future similar projects.</p> |
| 20.AOB | <p>This outcome report was drafted in December 2019. It has taken almost three years to finalise because by December 2019 the project team for the Barbican and Guildhall School comprised one new temporary (12-month contract) PM and one project assistant. During the covid shutdowns both officers worked to accelerate and manage as many projects as possible due to the unprecedented access to the buildings. Post Covid, the small team have had to prioritise project delivery.</p> |

Contact

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