

**REPORT TO: POLICY & RESOURCES COMMITTEE - 27 AUGUST 2007
LEISURE, ARTS & COMMUNITIES COMMITTEE - 27 AUGUST 2007**

REPORT ON: MCMANUS GALLERIES REDEVELOPMENT

**JOINT REPORT BY: DIRECTOR OF LEISURE & COMMUNITIES AND
DEPUTE CHIEF EXECUTIVE (FINANCE)**

REPORT NO: 385-2007

1 PURPOSE OF REPORT

The purpose of this report is to update the Committee on the latest projected capital cost of the McManus Galleries Redevelopment Project and to seek approval to incur the additional expenditure referred to in this report. The report also instructs officers to make strenuous efforts to access additional external funding with which to fund this additional cost.

2 RECOMMENDATIONS

The Committee is asked to:

- 2.1 approve the additional underpinning expenditure of £1,540,000 as detailed in paragraph 6.5 and
- 2.2 note the overspend of £430,000 on the current construction contracts as referred to in paragraph 6.7 and
- 2.2 approve the instruction of the Director of Leisure & Communities and Depute Chief Executive (Finance) to endeavour to gain additional external funding with which to fund the aforementioned expenditure. In particular that the Scottish Executive and corporate benefactors are approached directly.
- 2.3 to recommend to the Policy and Resources Committee that the capital expenditure budget for the McManus Galleries Redevelopment be increased by £1,970,000.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial implications of this report are that additional underpinning works and expenditure totalling £1,970,000 has been identified as being essential for the completion of the McManus Galleries redevelopment project. There is presently no provision within the Council's approved Capital Plan and every effort will be made by the Council to raise additional funds through the Scottish Executive and corporate benefactors.
- 3.2 It will probably not be possible to secure the additional funding, before the Council has to pay for the additional works, and in the interim the Council will have to increase its prudential borrowing to meet these costs.
- 3.3 The Design and Project Team have continuously monitored the proposed works and have already agreed a number of cost savings within the contract framework. It is not considered that any further savings can be found within the contract without compromising the standard of finish.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 The redevelopment of the McManus Galleries will help to protect the quality and diversity of the City's built heritage and enhance the City Centre and local environments. Sustainable practices have been adopted in the design construction and maintenance of the building.

5 EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 A major element of the development proposals is to address equal opportunities implications. The development will be accessible for all sectors of the Community, including visitors with disabilities, the elderly and those with young children.

6 PROJECTED TOTAL EXPENDITURE

- 6.1 Reference is made to Article V of the meeting of the Leisure & Arts Services Committee of 26th June 2007, and Article XI of the meeting of the Leisure & Arts Services Committee of 19 March 2007.

- 6.2 In June 2006 the total estimated expenditure for the McManus Galleries redevelopment was as detailed below:

Barrack Street Collections Unit	£ 774,000
McManus Galleries Several Works	5,407,263
McManus Galleries Display fit out	1,532,000
Professional Services	745,630
Total Project Cost	£8,458,893

- 6.3 In March 2007 the design team identified a number of additional essential works that were required to deliver this complex heritage project. These works totalled £300,000 and included the following works:

Structural works, slating and protection of stained glass
 Increased cost of partial underpinning
 Redesign of drainage
 Relocation of taxi ranks

These additional works brought the total project cost up to £8.76m.

- 6.4 It has been known from the start of the McManus Galleries redevelopment project, that the biggest risk is the original structure of the building, and the fact that it sits on marshy ground with a high water table. The building has been constructed on wooden piles, the vast majority of which have rotted over the intervening 150 years. One of the major challenges in the McManus Galleries redevelopment has been the stabilisation of the building, and this is to be achieved by extensive underpinning work.

- 6.5 Historically there have been foundation settlement problems at McManus Galleries. This has resulted in underpinning works being carried out in the past to the eastern part of the building. The scope of the underpinning works required as part of the current redevelopment project was limited to the southern half of the western side of the building. It was considered that the underpinning of the northern half of the building could be left for a period of over 10years. However, whilst carrying out the current underpinning works, the existing timber piles were found to be completely rotted through. It is likely therefore that similar deterioration has developed in the northern half of the building. It would be prudent therefore to carry out preventative long term maintenance i.e. carry out all the necessary underpinning works in this area now. It would also be a false economy to continue with the

current redevelopment and not carry out this underpinning work, as this work will be required in less than 10 years, at which point it will cost significantly more and potentially cause significant disruption to the Galleries and the surrounding area. The additional cost of the remainder of the underpinning, including an allowance for the inflationary effect of the delay this will cause to the main contract is estimated to be £1,540,000.

- 6.6 It should be noted that following extensive investigation, underpinning of the north east corner of the building (beneath the Victoria Gallery) is not required as the existing timber piles were found to be in good condition with an anticipated life in excess of 20years.
- 6.7 In addition to the additional underpinning works referred to above there has also been a general increase in the cost of the current contract totalling £430,000 due to additional works being identified during construction by the Technical Officers.
- 6.8 In total the estimated additional works and costs required to complete the McManus Galleries redevelopment project, as detailed above is £1,970,000. There is currently no provision within the City Council's approved Capital Plan for this additional expenditure. In order to proceed with the above works as part of the current project, the main contractor requires instructions by the end of August 2007.
- 6.9 The project without the above additional works is currently funded as follows:

Heritage Lottery Fund	£4,906,000
ERDF & sponsorship	700,000
Historic Scotland	520,000
Dundee City Council	2,634,000
TOTAL FUNDING	£8,760,000

- 6.10 While the Council will approach our current funding partners, as detailed above, it is thought unlikely that they will be prepared to increase the level of their funding. The officers have researched other similar heritage projects throughout Scotland and identified the fact that the Scottish Executive have provided one-off capital grants for projects of a national or regional significance e.g. £1m to the Kelvingrove Museum and Galleries redevelopment. It is the officers' recommendation that the Council make an immediate approach to the Scottish Executive to seek a capital grant to offset the additional costs identified above. A further possible source of additional funding is corporate and personal benefactors, and again there are examples of how these sources have proved effective in similar heritage projects. The Kelvingrove Redevelopment Fund was very successful in raising funds from corporate and personal benefactors. The Dundee Art Galleries and Museums Association has currently raised £28,000 and the officers would recommend that approaches are now made to corporate benefactors within and outwith the City to try and raise additional funds.

7 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services), Head of Finance, City Architectural Services Officer and City Engineer have been consulted on the contents of this report.

8 **BACKGROUND PAPERS**

None

**STEWART MURDOCH
DIRECTOR OF LEISURE & COMMUNITIES**

DATE 20 AUGUST 2007

**DAVID DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)**

DATE 20 AUGUST 2007