

# Cabinet Member Report



City of Westminster

**Meeting:** Cabinet Member for Business, Licensing and Planning and Cabinet Member for Finance and Smart City

**Date:** 19<sup>th</sup> October 2021

**Classification:** For Publication

**Title:** Marble Arch Mound – Project and Financial Position

**Ward Affected:** Knightsbridge & Belgravia

**City for All:** A visitor attraction to encourage people back to Westminster and demonstrate that the borough is welcoming and open for business.

**Key Decision:** Yes

**Financial Summary:** The forecast cost of the Marble Arch Mound is £6m and this will be funded from within the overall sum of £150m approved for investment in the Oxford Street District programme.

**Report of:** Debbie Jackson, Executive Director for Growth, Planning and Housing and Gerald Almeroth, Executive Director of Finance Resources

## 1. Executive Summary

- 1.1. This report provides a final update on the Marble Arch Mound (“the Mound”) visitor attraction following on from the previous Cabinet Member Report (CMR) issued on 4 May 2021 and seeks approval for the final forecast cost.
- 1.2. The May 2021 CMR identified a forecast cost for design and construction of the Mound and a cost range for the operation of the attraction was provided in the confidential appendix. This report provides an update on the final forecast cost required to enable delivery of all the activities associated with the Mound as a visitor attraction, including updated design, construction, and operation costs.

- 1.3. The Council recognises that the project was not adequately scoped as a visitor attraction or a construction project at the outset. This subsequently led to a poor initial customer experience and an increase in costs, both of which are unacceptable.
- 1.4. As a consequence, the Chief Executive commissioned an Internal Review, which will be considered at an extraordinary meeting of the Business and Children's Policy and Scrutiny Committee on 27 October 2021.
- 1.5. An officer taskforce was assembled to address the issues faced and ensure delivery of the Mound as a visitor attraction.

## **2. Recommendations**

- 2.1. That the Cabinet Member for Business, Licensing and Planning and Cabinet Member for Finance and Smart City:
  - a) Note the operational update and reported increase in costs; and
  - b) Approve the forecast expenditure as detailed in paragraph 5.2 to cover all aspects of the delivery of the Mound.

## **3. Reasons for Decision**

- 3.1. Since the initial CMR in May 2021 costs for the Mound have increased and therefore further Cabinet Member approval is required to draw down from the overall provision of £150m Oxford Street District investment budget.

## **4. Background**

- 4.1. Central London has suffered the greatest loss in visitors during the pandemic, with footfall in the West End's retail and recreation locations dropping to 52% compared to pre-pandemic levels - the second greatest shortfall of any borough in the UK after City of London (-66%). Nationally, in retail and recreation locations visitor numbers were down just 3.5%, on average and 18% down in Greater London; 15% down in Birmingham; and 25% down in Glasgow.
- 4.2. The Mound is an innovative and ambitious project delivered extremely quickly to respond to the immediate challenges facing the West End. It has been delivered as a catalyst to the Council's wider £150m investment in the Oxford Street District, an area that hosts 155,000 jobs, £12-13bn in annual Gross Value Added (GVA) and £655m in business rates.
- 4.3. The Mound is a temporary visitor attraction which consists of a 22.5m-high hill structure located at Marble Arch, with a viewing platform at the summit and an internal exhibition space which hosts an immersive light installation. To date, there have been over 140,000 visitors to the Mound.

### **Initial Opening**

- 4.4. The Mound opened on 26 July 2021 for paid ticketholders and consisted of the hill structure with a viewing platform as the exhibition was not ready. It quickly became apparent that further work would be required to improve the customer experience and that the attraction did not meet the Council's or visitors' expectations.
- 4.5. Tickets were taken off sale for two weeks, visitors refunded and offered to return for free. The Chief Executive announced the Mound would be free to climb in August, a decision subsequently extended for the Mound's duration. This was in recognition of the impact on demand from reintroducing charges, which would have detracted from the Mound's main purpose of attracting visitors back to the City.

### **Council Response**

- 4.6. Since the initial opening, works have been undertaken to improve the Mound as a visitor attraction, this has included the addition of customer signage, enhancement of the planting, branding of the site, food and beverage facilities, and delivery of a light installation within the internal space of the structure.
- 4.7. On 13 August 2021 the Leader of the Council announced that the total cost of delivering the Mound had risen from the sum envisaged of £3.3m to the current total of £6m. The previous estimate of £3.3m included £2.52m approved as a part of the May 2021 CMR and circa £0.8m operator costs which were still subject to a procurement process at the time.
- 4.8. Given the unacceptable increase in costs, the Chief Executive announced that a thorough Internal Review would take place to understand the reasons for this and ensure lessons are learned.
- 4.9. This review will be considered at an extraordinary meeting of the Business and Children's Policy and Scrutiny Committee, on 27 October 2021.

### **Project Governance**

- 4.10. An officer taskforce was assembled to address issues faced and a revised governance framework implemented.
- 4.11. A robust reporting and monitoring process is in place and the governance framework includes defined roles and responsibilities, along with workstream leads for the key areas: Finance and Budget, Operations and Customer Experience, Programme and Governance, Structure, Sponsorship and Partners, Stakeholders and Communications.

### **Closure of the Mound**

- 4.12. The Mound will close on Sunday 9 January 2022 and the process of removing the structure from Marble Arch will commence, this will require a considered

approach to dismantling to allow the reuse of materials wherever possible. The trees will remain the Council's property and will be relocated around the City following a period back with the nursery.

- 4.13. The Council will retain one of the art sculptures which will be located within the Oxford Street District as a part of the Council's on-going investment in regenerating the area.

## 5. Financial Implications

- 5.1. The CMR in May 2021 reported that the total build costs for the Mound would be £2.520m. This was made up of £1.998m of construction costs and £0.522m of estimated legacy (capital) costs. The confidential appendix to the May 2021 CMR also referred to operator costs, which were estimated to range from £0.740m to £0.920m. Therefore, the total projected cost for the build and operation of the Mound at this time was estimated to be in the region of £3.3m.

### Revised Costs

- 5.2. Since May 2021 there have been a number of changes to the scope and design of the project, and this led to variations in the build and operation of the visitor attraction thereby impacting on the forecast cost. Furthermore, the full decommissioning of the site was not provided for in the original forecast. Taken together, these factors have led to an increase in the estimated cost of the project, with the latest forecast summarised in the table below:

Items	Latest Forecast £000
Build Costs (including decommissioning)	4,500
Operator Costs	983
Other costs (Customer Experience, Comms & other)	517
<b>Total</b>	<b>6,000</b>

- 5.3. Forecast costs have now increased to £6m and the main reasons for this are outlined below:

#### 5.4. Build Costs – increase of £1.980m

Following the approval of the design, a number of changes were required during the construction of the Mound, particularly in relation to the extent and complexity of the scaffolding and sedum roof structure. As a consequence, the contract sum has increased to £4.5m, this is inclusive of any repairs and maintenance to the structure whilst in operation.

- 5.5. Whilst the original scope included an allowance for scaffold removal, it did not sufficiently reflect the scale or complexity of the decommissioning of the current structure, or an allowance for removing the sedum roof covering.
- 5.6. Operator Costs – increase of £0.190m  
The confidential appendix to the May 2021 CMR had included indicative figures for the operator which ranged from £0.740m to £0.920m as the procurement process was not completed at that time. The winning tender was £0.793m but costs for the operator have now increased to £0.983m.
- 5.7. The additional increase is due to necessary out-of-scope items not being included within the initial specification of the operator contract, for example welfare units and customer toilets, and additional security costs.
- 5.8. Other Costs – increase of £0.517m  
Additional costs have been incurred in relation to the Mound as a visitor attraction. These costs primarily relate to branding and signage of the site, setting up of the internal space for the light exhibition, consultant fees, and utility services, which were not included in the original projections. These are essential to the operation of the Mound and benefit the customer experience. These costs also include a limited amount of contingency.

### **Income**

- 5.9. It was anticipated in the May 2021 CMR that an estimated £1.5m would be generated through ticket sales over the full six months it would be open. After the negative reactions on opening in July 2021 it was decided that customers should be offered a refund. A further decision was taken in August to continue to offer free entry to the Mound recognising that there would be a negative impact on demand of reintroducing charges, detracting from the Mound's main purpose of attracting visitors back to the City.
- 5.10. The May 2021 CMR also assumed the Council would receive £0.450m in sponsorship. The sponsorship agreements are in their final stage of development following close working with the sponsors to update the original agreements to fully reflect the offer of the Mound. Sponsorship funding received will be used to offset the overall cost of the project. The Council is expecting to receive £0.160m in sponsorship.

## **Financing**

- 5.11. In the early stages of the project, it was considered that much of the costs could be capitalised, including the legacy public realm costs estimated at £0.522m, where the greenery could be re-used and where the option of purchasing the scaffolding was still being looked at.
- 5.12. In the May 2021 CMR that approved the £2.520m spend, the £0.522m of legacy costs were noted as capital and the £1.998m construction costs were neither confirmed as capital or revenue at that stage. It was clear that the operator costs (£0.793m) would be revenue, but the intention was that sufficient income above the c£2m outlined in the report at the time would be generated to cover all costs.
- 5.13. The final position for the Mound project cost is that it is largely revenue expenditure and therefore cannot be charged to capital. The Council has agreed to invest £150m of its resources on the Oxford Street District programme and this will include the cost of the Marble Arch Mound scheme.
- 5.14. Whilst the £150m is in the capital programme, it is financed through revenue funding and it is this revenue funding, which is already budgeted for, that will be used to finance the Mound spend. There will be no impact on the Council's overall revenue budget because of this or any impact on services to residents and communities.
- 5.15. The Council must state how the overall capital programme can be financed each year. The Council's capital programme uses a mixture of different financing sources including capital receipts, external funding, grants, affordable housing fund, revenue funding from specific reserves and revenue borrowing. Capital spending can be financed by revenue contributions, but generally revenue spending cannot be financed by capital funding (e.g., capital receipts).

## **6. Legal Implications**

- 6.1. The contract documentation between the Council and the build contractor will be updated to reflect the revised contract sum.
- 6.2. The operator contract was subject to the Public Contracts Regulations 2015 and as such any variations to it would have to comply with those regulations so as to be lawful. Regulation 72(1)(b) of those regulations provides that:

*Additional ..... services by the original contractor have become necessary and were not included in the original procurement where a change of contractor*

*(1) cannot be made for economic or technical reasons such as requirements of interoperability with existing services procured under the initial procurement, and  
(2) would cause significant inconvenience or substantial duplication of cost for the council*

*provided that the increase in price does not exceed 50% of the value of the original contract.*

The Council can rely on r72(1)(b) for the purposes of the increase in expenditure.

## **7. Consultation**

7.1. Ward councillors have been informed in advance of the decision being taken.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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### **Background Papers**

Cabinet Member Report, 4 May 2021, [Marble Arch Mound - Update on Design, commission and construction of the showcase event \(May 2021\)](#)

For completion by the **Cabinet Member for Business, Licensing and Planning and Cabinet Member for Finance and Smart City**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

NAME: \_\_\_\_\_

State nature of interest if any

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*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendations in the report entitled **Marble Arch Mound – Project and Financial Position** and reject any alternative options which are referred to but not recommended.

Signed .....

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the Section 151 Officer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.