

Joint report of the Deputy Chief Executive and the Interim Chief Audit and Control Officer**GOVERNANCE ARRANGEMENTS FOR THE BEESTON TOWN CENTRE DEVELOPMENT PROJECT****1. Purpose of report**

To provide the Committee with a report on the governance arrangements for the Beeston Town Centre Development project.

2. Background

Members requested that a regular governance dashboard report be produced on major projects, such as the Beeston Square Development project, which included an independent assurance opinion being provided by Internal Audit. A series of such reports have been resented to this Committee for scrutiny.

The need to have strong effective governance in place is vital, with the necessary levels of transparency and openness in decision making which align with the Council's Constitution, including the Scheme of Delegation, Standing Orders and Financial Regulations.

Internal Audit has completed a review of the governance arrangements which have operated through the life of the Beeston Town Centre Development project, with particular focus on the reporting to Members and approvals from Committees where appropriate. This review is presented in appendix 1.

A high-level post-investment appraisal has also been provided by the Interim Regeneration Projects Manager which provides a summary of the key challenges, milestones and opportunities of the development along with 'lessons learned' recommendations for future projects. This is presented in appendix 2.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX 1

GOVERNANCE ARRANGEMENTS BEESTON TOWN CENTRE DEVELOPMENT

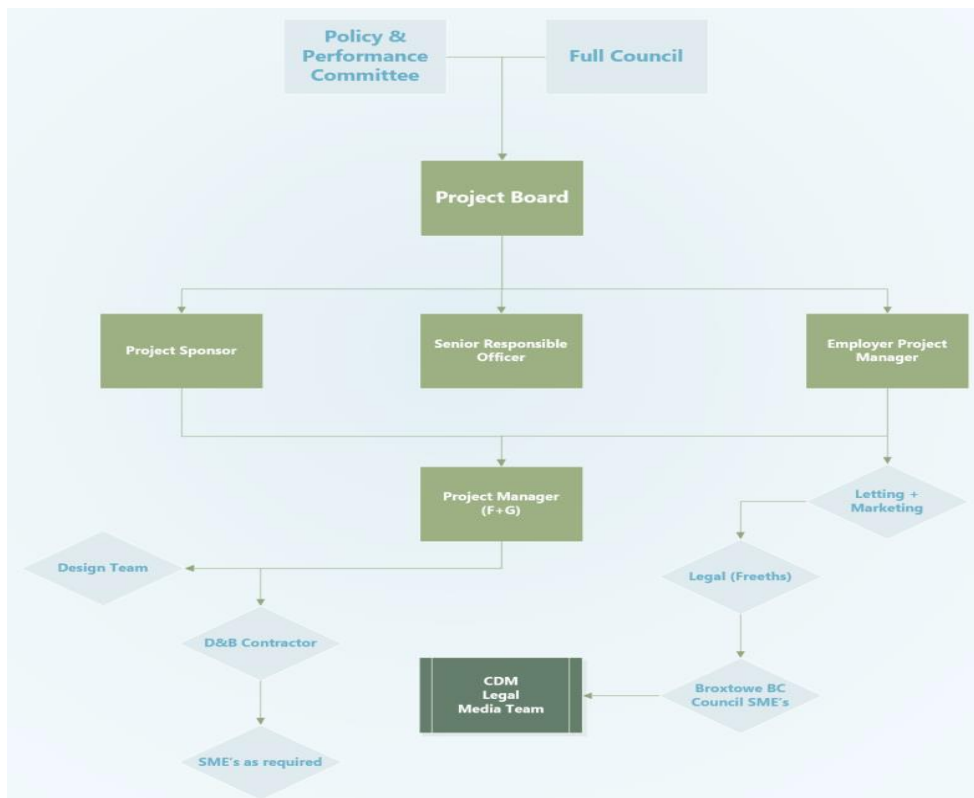
Introduction

The redevelopment of Beeston town centre, and in particular the area adjacent to Beeston Tram and Bus Interchange, has been a high priority objective for the Council for several years. A major milestone in this project was recently achieved with the opening of the Arc Cinema on 27 May 2021 with the food and beverage units in the unit expected to be open and trading by Spring 2022.

Internal Audit has conducted a review of the governance arrangements in place throughout the delivery of the development, with particular focus on the constitution of the Project Board and the processes followed around key events and decisions through the life of the project.

Project Governance Structure and Related Arrangements

The core governance structure and related arrangements are formally documented within the Project Execution Plan, as prepared by the Project Manager. The Project Governance Hierarchy established clear lines of responsibility and accountability for the project and are summarised in the following chart:



As this chart demonstrates, responsibility for the delivery of the redevelopment of Beeston town centre primarily rested with the Project Board, in turn directly accountable to the Policy and Performance Committee and Full Council. The Project Board comprised of the following:

- Chief Executive
- Deputy Chief Executive (as the Senior Responsible Officer)
- Leader of the Council
- Deputy Leader of the Council
- Leader of the Opposition
- Project Sponsor
- Employer Project Manager
- Project Manager (advisory only)

The inclusion of the Chief Executive and Deputy Chief Executive demonstrated the involvement of the highest levels of management, whilst the presence of the Leader of the Council, the Deputy Leader, and the Leader of the Opposition is reflective of the full cross-party support and involvement throughout the duration of the project.

The 'Project Sponsor' is the Council's Head of Asset Management and Development with the role of the 'Employer Project Manager' fulfilled by an external property development consultant engaged by the Council during 2017 to augment the Council's client-side expertise.

The Project Manager, Faithful and Gould ('F&G'), is responsible for the day-to-day project management of the development to deliver, as the Project Execution Plan states, "the right products (required benefits), to the required standard, on budget and on time". F&G (as then part of Atkins plc, now SNC-Lavalin) were appointed following a full competitive tender process in July 2016.

A review of the records of meetings held and a sample of the minutes of meetings has confirmed that Project Board meetings were held at regular intervals, with a high level of attendance and were minuted with an appropriate level of detail of updates received and decisions made.

The Project Execution Plan also specifies a number of project controls which have been in place throughout the project. In particular, change control and risk management are considered key aspects of good governance.

Change Control refers to a process by which any changes to the original project brief may be identified, considered, approved and implemented. This may cover a range of potential changes, for example changes in design or variations in budgeted costs. The Project Execution Plan outlines the change control process in the below diagram, with further detail on approval requirements in the following table.

Summary of Process: Five Step Change Control Process

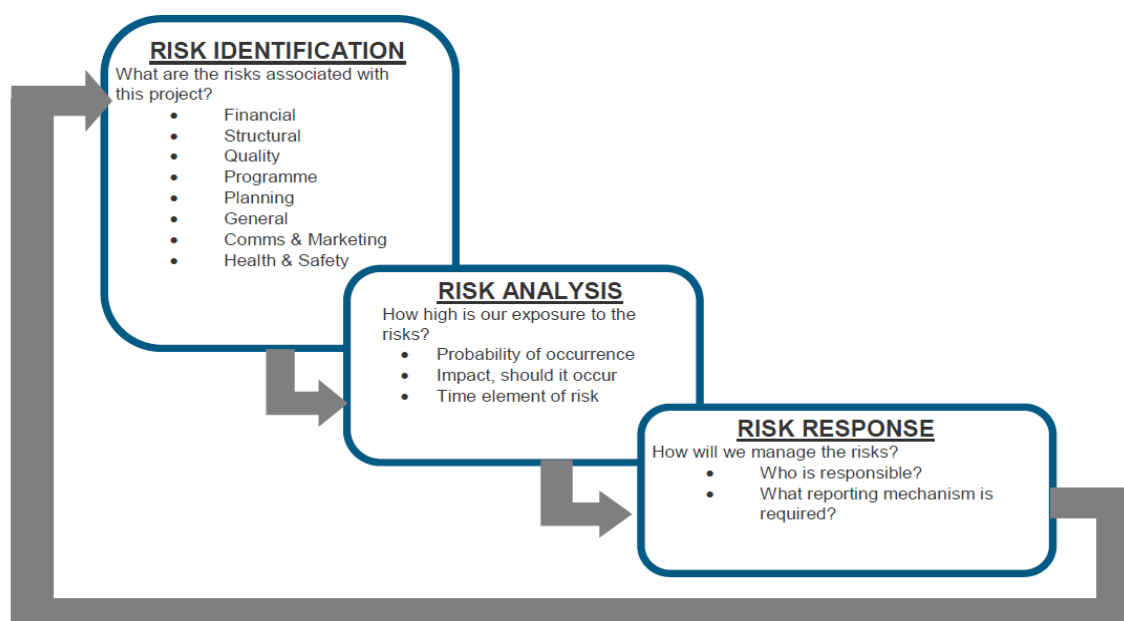


Delegated Authorities:

Scope and Impact of Change	Reporting Responsibility	Decision by
Changes resulting in an increase to the approved financial authority for the whole project and/or exceed SRO delegated authority	Employer Project Manager / Project Sponsor/ SRO/ Broxtowe Project Board	Policy & Performance Committee / Finance Committee / Full Council
All changes with potential to affect operational matters	Employer Project Manager / Consultant Project Manager / Consultant Design Team / Project Sponsor	Broxtowe Project Board / SRO
Change to project brief Change to design or specification with financial and/or programme implications	Employer Project Manager / Consultant Project Manager / Consultant Design Team / Project Sponsor	Broxtowe Project Board / SRO
Design or specification change with no net financial or programme implications (unless within previously approved provisional sum)	Employer Project Manager / Consultant Project Manager / Consultant Design Team /	Project Sponsor
NOTE: A request for approval by the Project Board shall be made outside of scheduled meetings where a delay in obtaining approval would adversely impact on project cost and/or programme.		

A Change Control Register has been maintained throughout the life of the project.

The Project Execution Plan also contains details of the risk management process which has been followed throughout the life of the development, summarised in the below diagram:



At the commencement of the development work, a detailed Risk Register was produced by the Project Manager containing details of risks identified, an assessment of the significance of the risks and plans for appropriate actions in mitigation. The Risk Register has been updated throughout the life of the project.

Key Processes, Reports and Decisions

Internal Audit has reviewed the history of the redevelopment project and is pleased to make the following observations with regard to key processes, reports and decisions made by Senior Management, the Project Board and Members.

Vision for the Redevelopment

In 2008 the Council set out a vision for the future of Beeston Town Centre, being that *“Beeston Town Centre will provide a welcoming image, promote choice and design quality. It will attract new investment and create a high quality environment, which is vibrant and attractive and where people will want to live, work, shop and visit. There will be a wide range of national retailers, local shops, bars and restaurants providing a range of places to eat, drink and shop. Pedestrians and cyclists will enjoy improved accessibility to the town centre and the public realm, incorporating public art, will be of a high quality and inspiring. The redevelopment of The Square linked to a proposed new transport interchange will help to revitalise the heart of the town centre.”*

This vision was accompanied by five strategic aims:

- *Enhance the quality and diversity of Beeston Town Centre’s retail provision to ensure its future vitality and diversify town centre uses to maintain its role as a Major District Centre.*
- *To promote activities that can develop a sustainable evening economy.*

- *To ensure the town centre is readily accessible by all modes of transport, whilst maximising access by foot, cycle and public transport in the context of a sustainable transport strategy.*
- *To promote high quality town centre developments and public realm improvements that combine to create a good image for the town centre.*
- *To ensure that development of the Town Centre and adjacent areas are done so in a co-ordinated manner to maximise benefits to the town centre and local residents.*

This vision and accompanying objectives was set out as part of the Beeston Town Centre Plan (Supplementary Planning Document) 2008.

Re-Purchase of Beeston Square

The Council owns the freehold interest in the above-detailed Beeston Square area. At the time of the above noted Beeston Town Centre Plan, however, a third party developer held a long lease for the southern parts of the site. Over time, it became increasingly apparent that the developer had lost interest in significant development of the site and by mid-2015 the option for the Council to purchase the lease back from the developer became viable. This repurchase allowed the Council full control over the entire Beeston Square site in order to act as developer and begin to realise its ambitions for the town.

Cabinet approved the appointment of a firm of property consultants to advise on the potential repurchase of the lease on 15 December 2015. Details of the consultants' findings were considered by the Beeston Town Square Advisory Committee on 16 February 2016. The purchase of the lease was completed on 13 May 2016 and reported to the Policy and Performance Committee on 18 May 2016.

Redevelopment Strategy

Research and investigations carried out by officers culminated in the presentation to Members of a 'Summary of a Proposed Way Forward' document at a Members' Workshop held on the 30 October 2017. The plans presented at this workshop were for a cinema-led leisure offer to include food and beverage units at the north-end of the site, a medium-rise residential development at the south-end with the two components of the development separated by a public open space.

The proposal retained the Council as the lead on the development of the cinema and accompanying leisure space whilst the land for the residential development would be sold to a third-party developer. The capital receipt from the sale of the land would be applied to the cinema development, alongside additional funding secured from the D2N2 Local Enterprise Partnership, the Nottinghamshire Pre-Development Fund and the Public Works Loans Board.

These proposals were supplemented by a detailed financial review by an external financial consultancy firm in a report dated 20 October 2017. The Policy and Performance Committee considered this report and associated proposals as presented at the Members' Workshop, granting its formal approval at a meeting on 21 November 2017.

Planning Permission

Planning permission was granted by the Planning Committee on 12 September 2018.

Sale of the Residential Land

Completed bids for the sale of the residential land, received through a process managed by an external firm of Chartered Surveyors, were considered by the Finance and Resources Committee on 8 January 2019. Six bids of varying viability were received. Authority was delegated to the Deputy Chief Executive to complete the sale, with a bid duly selected for acceptance shortly after the meeting. In the following months, however, progress with the buyer was slow and eventually it became apparent the agreed sale was no longer viable.

Using the delegated powers, and with the endorsement of the Project Board, a further invitation for bids was made by the Deputy Chief Executive, following which a final winning bid was selected and reported to the Policy and Performance Committee on 2 October 2019. The sale of the land to this bidder was completed on 4 November 2020 following delays attributable to the pandemic.

Cinema Operator

A primary requirement for the development was the securing of an operator for the cinema. Activity to find an operator commenced soon after the approval of the plans, with negotiations opened with a number of potential companies.

By mid-2019 it became apparent that the most likely operator for the cinema would be the Arc Cinema, an Irish-based company beginning to expand into the UK market. A due-diligence report was commissioned from an external firm of financial consultants and, following satisfactory review of this by the Project Board and concluding negotiations, the Arc Cinema was confirmed as the operator for the new cinema with the agreement signed on 23 September 2019 and reported as complete to the Policy and Performance Committee on 2 October 2019.

Procurement of a Construction Contractor

During 2019, an OJEU-compliant procurement process, led by the Project Board and the Interim Procurement and Contracts Officer in conjunction with an external project management company, was undertaken which resulted in the submission of six tender offers. These offers were duly evaluated with a winner selected after due diligence work had been undertaken. The contract with Bowmer and Kirkland was subsequently agreed and signed on 18 November 2019 and reported to the Policy and Performance Committee on 4 December 2019.

Future Plans

The Project Board, at its meeting on 27 July 2021, has agreed the redevelopment of the westerly block on The Square (known as the 'Argos' block). This block, prior to

the onset of the Covid-19 pandemic, was occupied by Explore Learning, Argos, Ladbrokes and an independent newsagent. Of these, only two tenants remain. The cost to redevelop this block has been estimated at £500,000 and is expected to be funded through a combination of General Fund capital receipts and borrowing. A request to vary the Capital Programme for 2021/22 was approved by the Finance and Resources Committee on 7 October 2021.

An additional development to provide a 'Changing Places' toilet facility is currently moving through an external tendering process with the outcome expected to be reported to Members in due course.

Conclusion

The opening of the Arc Cinema in May 2021 marked a key milestone in achieving the Council's vision for the redevelopment of Beeston Square and the culmination of several years of sustained efforts on the part of members, officers and their advisors. The Council considers this as part of an evolving story for Beeston and views this very much as the 'end of the beginning' rather than a conclusion. The challenge now is for a refreshed vision for Beeston, whereby the new development can catalyse further change and generate more interest, excitement and footfall towards a more dynamic night time economy for the town.

Internal Audit is pleased to report that this latest review of the governance arrangements for the Beeston Town Centre Development project has indicated no cause for concern. Further details on the project journey, along with recommendations for future capital projects, are provided in the post-investment appraisal summary provided by the Interim Regeneration Project Manager in appendix 2 to this report.

APPENDIX 2

**BEESTON SQUARE PHASE 2 REVELOPMENT
HIGH-LEVEL POST-INVESTMENT APPRAISAL**

The redevelopment of the former bus interchange and fire station to create a new eight-screen cinema and five food and beverage units in Beeston town centre has been one of the largest capital projects undertaken by Broxtowe Borough Council in recent years. It was also one of the potentially most high-risk as the Council took the bold decision to undertake the development directly rather than passing on an element of risk and profit to a third party development partner.

Despite this, the project was delivered within the contractual programme period and to the approved budget. Although not yet fully let, it is undoubtedly making a positive contribution to underpinning existing town centre business as they recover from prolonged Covid-19 restrictions and has been a catalyst to attracting new enterprise to the town beyond the development's immediate boundary.

It has not been a totally smooth journey and a number of major challenges were encountered during the delivery stage, namely:

- Loss of an anchor tenant after protracted negotiations and re-letting to an alternative cinema operator with no UK trading presence.
- Loss of residential site buyer and a reduction of income from a replacement buyer that was intended to cross-subsidise the leisure element.
- Failure of the preferred bidder to meet the construction tender requirements and the higher cost of appointing the runner-up.
- A global pandemic.

That these obstacles were resolved to result in a successful project outcome highlights a number of critical success factors that serve as a useful template for future capital projects, of which a number are already at the viability stage. The main ones can be summarised as follows:

Critical success factors to be adopted in future capital projects**Clear and consistent objectives**

There were four main objectives for the project:

- To bring a derelict site into beneficial use;
- To support the viability and sustainability of existing town centre business
- To encourage a night-time economy; and
- To be self-financing.

Sound business case

The requirement to be self-financing (meaning that, once mature, rental income would be sufficient to cover debt service) brought a commercial discipline to the project. To this was added the ambition to create an institutional-grade investment

that could be realised in the medium term with a positive equity outcome for the Council.

Effective communication

A comprehensive project execution plan was put in place to ensure that the Council's objectives were fully understood by all members of the project team. This also included key parameters such as attitude to risk which contributed to swift and effective decision-making – especially when reacting to such events as Covid-19 lockdown restrictions.

A clear communications strategy was also put in place and reviewed regularly by the project board. Key opportunities for positive news stories – such as award of the building contract and securing tenants – were identified by the Council's media team that worked closely with external partners to ensure that core messages were articulated and that there was a consistency of approach to support the whole of the town centre. This achieved some very powerful media coverage that has made a major contribution to raising Beeston's profile.

Strong Governance arrangements

A Project Board was established once the full Council had approved commitment to delivery. This was chaired by the Deputy Chief Executive, had a clearly identified project sponsor (Head of Property Services) and on which each main political party was represented. This gave the controlling committees confidence to delegate key decision-making to the board which, in turn, allowed for agile directing of the delivery team.

The standing agenda items included:

- Costs, budget and financial viability;
- Risk;
- Programme;
- Health and safety;
- Environmental performance;
- Communications and public relations; and
- Realisation.

External consultants were invited to board meetings as required.

Transparent reporting

The Project Board reported regularly to the relevant committees on delegated decisions made and, wherever possible, significant upcoming decisions were discussed at Committee in advance.

Cross-party support

Large capital projects will often span over different Council administrations and this brings a danger that changing political priorities can destabilise a project. In extremis, this could lead to significant delay, additional cost or even cancellation. By

having project board representation across the political spectrum, all parties' interests were considered and cross-party support achieved. This was extremely important when some very difficult decisions had to be made.

Areas for improvement in the delivery of capital projects

Control and influence over delivery of collateral benefits

To deliver one of the key objectives of cost neutrality, it was necessary to sell part of the site to a third party developer to build out the residential part of the development. Further, structuring the planning application to cover both elements meant that any notional profit from the residential site could be used to directly cross-subsidise the Council's regenerative leisure element rather than being used for wider Section 106 purposes – many of which would have accrued to other public bodies than the Borough.

The original sale contract contained a number of restrictions and obligations on the developer to prevent the undeveloped site being sold on for a quick profit, etc. When this transaction stalled, the market had deteriorated and it was decided to keep the replacement contract as simple and unrestricted as possible to achieve the best price. For reasons unknown, the developer has yet to start on site which is frustrating as it is rather an eyesore now the Council's part is complete.

In similar situations, this potential risk of non-delivery by a third party needs to be carefully considered against the impact on value of retaining some control and influence over what and when is developed.

Effective post-completion management arrangements

Following practical completion, responsibility for a project passes back to the client at which point a myriad of arrangements need to be in place for a multi-occupied building including insurance, security and responsive repairs that are not defects for which the contractor is responsible. Many of these costs will be recoverable in whole or part from individual tenants once they take occupation through the service charge mechanism. As other Council assets are managed in-house, this model was selected for the subject development.

Unfortunately, a combination of internal reorganisation and recruitment difficulties resulted in Broxtowe's Estates Management team being unable to put in place all arrangements for management of the service charge and a consultant management company has been engaged on an initial 12-month contract to set up the arrangements at considerable cost. (Although management costs are recoverable under the service charge, the landlord will be responsible for the proportions attributable to empty units.)

Best practice would see ongoing management arrangements for capital projects being put in place well before practical completion to allow for systems & supply chains to be established, personnel familiarisation and a smooth transition from the delivery team.

It is therefore recommended that post-completion management arrangements and the estimated costs thereof form part of the initial business case for future capital projects.

Conclusion

By taking the relatively unusual step of successfully delivering a large commercial development directly, the Council has demonstrated that it has the capability to deliver similar capital projects in a way that avoids sharing profits with a development partner. Had a more traditional development partnership been adopted as the delivery vehicle, a significant subsidy from the Council would have been necessary to secure a suitable developer.

As this route leaves the Council with full risk exposure, it is important that the critical success factors identified from Beeston Square – as summarised above – are adopted if a similar approach is proposed for future projects.