

Report of the Interim Deputy Chief Executive

BEESTON TOWN CENTRE REDEVELOPMENT1. Purpose of report

To update members on progress on Beeston town centre redevelopment and to seek delegated powers, where required, to maintain progress.

2. Background and detail

Committee will recall the reports of 4 July and 21 November 2017 which set out progress to date on the redevelopment of the land commonly referred to as The Square Phase 2. The outcome was that the Council should act directly as developer for a cinema and food and beverage development at the top end of the site, with a residential development at the bottom end of the site, linked by public realm. The estimated cost of the development is approximately £10million.

This report seeks approval for the following elements of the project, along with delegated powers to finalise them where required:

- Project Board terms of reference (appendix 1).
- Summary of overall business case (confidential appendix 4).

Planning Committee approvals will also be required as the project progresses. A summary risk register is attached as appendix 2.

3. Maintaining progress

Extensive site investigation and topographical surveys were undertaken in January. The Council will next need to:

- Move forward rapidly to agree heads of terms with the proposed cinema operator.
- Commit financial and other resources as outlined in appendix 3 to achieve the development, including a planning application.
- Prepare all necessary documentation for the sale of the bottom end of the development.

4. Financial implications

These are outlined in appendix 3. Significant external funding bids are being made to support the process.

RECOMMENDATIONS

The Committee is asked to RESOLVE that:

- 1. The Project Board terms of reference be approved.**
- 2. The delegations to the Interim Deputy Chief Executive for the finalisation of the heads of terms and the financing of the necessary items outlined in appendix 3 be approved.**

Background papers

Nil

Project Board**Terms of reference**

The Project Board is ultimately accountable to the Council's Policy and Performance Committee for delivery of the project in accordance with the agreed success criteria. It will achieve this by constantly monitoring and scrutinising project progress towards successful delivery of the required benefits and providing the delivery team of consultants, contractors and suppliers with direction, challenge, instruction and support.

Board composition:

- Richard Jackson (Leader of the Council)
- Mel Crow (Deputy Leader of the Council)
- Ruth Hyde (Chief Executive)
- Zulf Darr (Interim Deputy Chief Executive) **CHAIR**
- John Delaney (Head of Property Services) **PROJECT SPONSOR**
- David Grose (Interim Regeneration Project Manager)

The following parties may also attend the project board in an advisory capacity:

- Colin Hallahan, Faithful and Gould (External Project Manager)
- Other advisors by invitation (such as internal or external architect, letting agents, constructor's representative)

APPENDIX 2

Summary risk register

Members will recall the overall project risk summary reported to Committee on 21 November 2017.

The purpose of the following table is to highlight to members the more detailed potential risks for the Council in moving on to the next stage of the project. It is also a summary as the full version of the risk register includes appropriate assessment of these risks, along with the mitigation measures proposed, and identification of who is responsible for the mitigation. Some commercially sensitive issues have been edited to make the table suitable for publication.

	Risk Title	Risk Description	Mitigation
1	Site conditions	Underground obstructions, contamination, flood risk. Likely due to past use	Geotechnical surveys, Flood Risk Assessments etc. commenced January 2018.
2	Site conditions: Utilities diversions required	Beeston has suffered disruption already due to services in numerous construction and tram works	Surveys etc. commenced January 2018.
3	Party Wall – Phase 1.	Party Wall	Early engagement with Phase 1 tenants.
4	Cinema Operator deal not deliverable	Too onerous to enter into contract or failure to secure suitable tenants on acceptable terms.	Early engagement of Cinema operator, appointment of experienced (cinema / Food and Beverage) agent.
5	Proximity to tram	NET access rights restrict works. Potential clashes with infrastructure and service diversions etc.	Early engagement with NET. Faithful +Gould / Design Team to liaise with NET to establish constraints and design to them.
6	Commercial - Retail Tenant	Failure to find tenants / empty units / voids	Early engagement of Cinema operator, appointment of experienced agent. Allowance within Project Budget for appropriate initial incentives. Allowance in project appraisal for initial voids.
7	Existing footpath status.	Possible rights of way issues.	Establish Footpath legal status.

8	Design and Build contractor - reduce specification of building components to reduce their costs.	Post Contract contractor commercial strategy is to reduce works cost by quality reduction in material and plant.	Full RIBA Stage 4 Detailed Design prepared as basis of Works Contract. Impose novation of Architect and Structural Engineer. Contractual requirement for contractor to seek prior approval of alternative products, designs, plants etc. Any alternative to result in demonstrable better value to Client and require tenant approval prior to approval. Robust compliance monitoring and change control.
9	Late Brief Change - Incorporate changed sustainability requirements.	Redesign to incorporate policy changes.	
10	Council change in strategic direction.	Project halted/cancelled.	Engagement with Policy and Performance Committee to agree requirements early and maintain cross-party support.
11	Contractor insolvency during works	Catastrophic delay to project and significant additional costs.	Careful vetting of contractors, credit checks, references etc.
12	Lack of suitable tender returns	Project delays due to re-tendering or negotiation.	Early market engagement to promote scheme, including possible property day.
13	Finance restrictions	Onerous conditions.	Early engagement with Treasury and Public Works Loan Board.
14	Late Client design changes	Delays to project / additional costs.	Instigate a change control process, that requires client sign off of all such changes based on advised cost and programme implications.
15	Poor performance by statutory services	Late responses to quote acceptance, arrival outside of programmed dates.	Early engagement with Statutory undertakers is essential but still represents a risk
16	Design Change Post Contractor appointment by Cinema	Tenants' shell requirement evolves or changes, after contractor appointed. Contractor delaying agreeing actual costs.	Early and in depth engagement between Shell and Tenant design teams to finalise design principles early and establish change process.

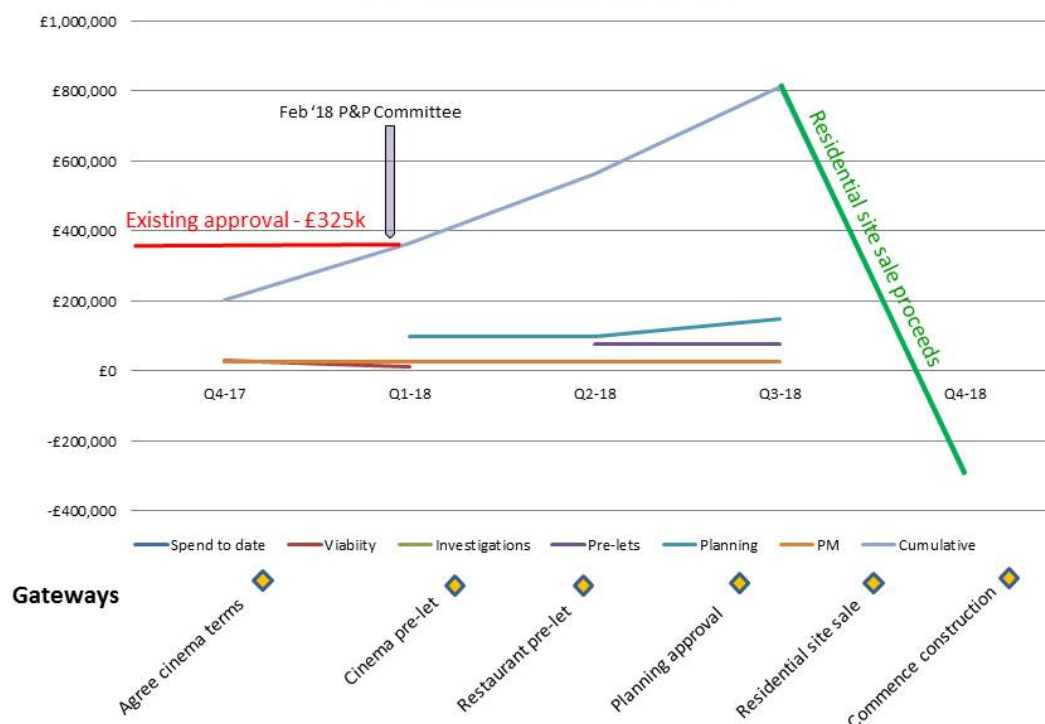
17	Building Regulation changes (post Grenfell)	Legislation to amend Fire codes and regulations.	Design team to monitor developments.
18	Poor main contractor / sub-contractor performance	Delays to project / re-work required / reputational damage.	Careful monitoring of programme and quality of work.
19	Planning requirements	Onerous conditions restrict commercial appeal of Site B.	Early engagement with Planners.
20	Tender returns over budget	Project delays due to re-design / value engineering or even re-tendering.	Prepare detailed design, detailed pricing document with Value engineer section to canvas for possible saving opportunities.
21	Out turn costs exceed budget / contract sum	Once contractor appointed, costs start escalating due to claims, variations etc.	Tender design to be taken to RIBA 4 Stage - Detailed Design. Detailed scrutiny of Contractor proposal against Employers requirements. Review of Contractor Proposal with the Cinema Operator. Approval of any proposal amendment to Tenant's detailed provision with Tenant prior to contracting. Careful management of contractual claims. Frozen design. Extremely careful VO control.
22	Design Change Post Contractor Appointment by Retail Tenants	Tenants' shell requirement evolves or changes, after contractor appointed. Contractor delaying agreeing actual costs.	Early and in depth engagement between Shell and Tenant design teams to finalise design principles early and establish change process. Strict change control processes in agreements for lease.
23	Public Space / Realm - Council enhanced requirements.	Council requires a more involved public realm scheme or added additional requirements.	Early engagement with Planners and town centre management teams.
24	Planning Objections / Judicial Review	Concerted effort by interested parties to challenge planning application or challenged via JR.	Make allowance for full planning period and JR process prior to contractor instruction.

25	Party Wall disputes and other party wall works	Risk of construction delays and disputes and additional professional fees.	Party Wall survey and report required.
26	Archaeological findings	Delays to project / watching brief required.	Early desk top assessment.
27	Existing services capacity issues e.g. main drain	Upgrades required.	M and E consultant currently being appointed. Early engagement with relevant authority.
28	Exceptionally inclement weather during the construction works	Delays to works on site / potential claim.	Possible delay to start date of project and likely groundworks.
29	Commercial Agreement - Works Contract finalisation delayed.	Successful Contractor delays agreement of terms and conditions or final contract sum.	Ensure Employers requirement are clear. Minimal amendment to standard contract forms. Equitable insurance requirements.
30	Site boundary definition	Relationship to tram, highways and wayleaves.	Property team to prepare ownership report.
31	Lack and loss of staff within Project Team	Delays to Design Stage / potential for mistakes etc.	Established detailed Project Execution Plan, common document electronic repository. Require detailed Workstage design report. Require clarification on resilience strategy from consultants.
32	Tender Process Challenged under Public Sector Procurement rules.	Challenge by Contractors who failed to pre-qualify for tender list.	Ensure PQQ process is transparent and criteria for inclusion on tender list is clearly defined.
33	Communication - Pre construction	Poor communication within Design Team leading to late or deficient tender information.	Clarify roles and responsibilities. High quality Design Team management, clear instructions and minutes etc.
34	Lack of public support for the works	Reputational damage to Client.	Early public communication engagement.

35	Ecological issues: Bats, newts and the like	Discovery of ecology restrictions.	Earlier Surveys Mid-March 2018. Brown field site. No trees and no identified bat roost or water course on site.
36	Flood Risk Constraints.	Increased cost due to flood mitigation measures.	Early Flood Risk assessment to allow provision to be incorporated into design early.
37	Communication breakdown between key Client stakeholders	Delays to Design Stage / potential for mistakes etc.	Early and regular stakeholder engagement. Establish Communications Plan. Establish Project Board to update elected members via committee process. Well managed communication flow, Project Execution Plan, meeting minutes etc.
38	Bond provision	Delay in entering Contract.	Ensure Bond requirements are in Tender documents.

Beeston Square Redevelopment

Pre-construction expenditure



The Draft capital programme 2018/19 – 2020/21 recommended for approval at Finance and Resources Committee on 15 February 2018 includes £10.865million over the next three years for the Beeston Town Centre redevelopment.

The planned financing of the capital programme assumes at this stage that the estimated £10.865million cost will be met by borrowing. Whether the Council needs to borrow the entire £10.865million or a reduced amount will be heavily influenced by the following factors:

- The sale of the residential element
- Any tram compensation that may be received
- Any funding that may be received from the D2N2 Local Enterprise Partnership.

Whilst the level of budget allocated to this initiative will be set by members, it is proposed that responsibility for deciding the methods used to finance this expenditure be delegated to the Interim Deputy Chief Executive in his role as Section 151 Officer. Details of financing measures taken will be reported to members at the earliest opportunity.

The Finance and Resources Committee on 18 May 2016 allocated a budget of £325,000 for specialist legal and procurement advice for Beeston Square. It is intended that this is met from a combination of General Fund capital receipts, tram compensation and £70,000 awarded from the Nottingham Pre Development Fund as reported to this Committee on 4 July 2017. The total expenditure incurred against this budget to date is £181,958.

The team is recommending that no construction contract is let until such time as the following have been secured:

- Cinema conditional agreement for lease
- Further agreement for lease with at least one Food & Beverage operator; preferably two
- Planning permission for leisure element
- Legally-binding sale agreement for residential site.

It should be acknowledged that securing the foregoing – together with parallel procurement of a building contractor to the point of contract award – could cost as much as £800,000 (of which £181,000) has been spent to date.