

Report of the Deputy Chief Executive

BEESTON TOWN CENTRE REDEVELOPMENT1. Purpose of report

To update members on progress on The Square Phase 2 in Beeston and to recommend continued delegation of key approvals to the Deputy Chief Executive.

2. Background

Committee will recall that the Council has agreed to act directly as developer for a cinema and food and beverage development at the northern end of the site, with a residential development to the south, linked by public realm.

3. Key Updates (further details are given in appendix1)

- The lease/operating deal with The Arc cinema is close to finalisation.
- The sale of the residential element is close to finalisation.
- Discussions with restaurant/café bar operators and negotiation of financial and specification details are continuing.
- The RIBA Stage 4 design has been completed and the main building contract went out to tender at the beginning of June.
- A number of risks remain to the delivery of the project.

4. Financial implications

Current expenditure is in line with the overall project budget and within the Deputy Chief Executive's delegated authority approved by this committee. The first £250,000 tranche of LEP funding has been received. The estimated cost of the project has risen, but the anticipated extra receipts from the land sale and the LEP actually mean that the overall net borrowing is slightly less than the original approval levels.

Further details are given in appendix 2 and reports will also be taken to the Finance and Resources Committee and Full Council later this month as appropriate.

Recommendations

The Committee is asked to:

- 1. NOTE the report and any further verbal updates provided.**
- 2. RESOLVE to delegate to the Deputy Chief Executive all key approvals including assessment of tender returns including qualitative criteria, and subsequent award of the main building contract, in consultation with the cross-party Project Board and subject to the overall project cost remaining within the financial limits already set or subsequently changed by the Finance & Resources Committee and/or Full Council as appropriate.**

Background papers

Nil

1. Key Updates

- Apart from a couple of financial and legal technicalities surrounding collateral warranties and treatment of the capital contribution, the Agreement for Lease with The Arc Cinema is ready for signature. These should be resolved by the time the Committee meets.
- Sale of the residential element has been delayed due to some defects in the Council's legal title that are a legacy of acquisition and hand-back of land for the tram. A way through this has now been agreed in principle with Nottingham City Council, so contracts should be ready for exchange (subject to formal title rectification) by the time the Committee meets.
- The mid-range food and beverage retail market remains in the doldrums due to a combination of over-supply, under-patronage and aggressive price-cutting. Several recent failures of restaurants such as Jamie's' Italian bear testimony to this.

That said, a number of significant operators are very enthusiastic about Beeston as a location – albeit their ability to obtain board approval to proceed is prejudiced by the wider picture above. Our agents have reported that there is an increasing 'fire sale' market whereby fully-fitted premises of failed operators can be acquired by a competitor for much less than the cost of fitting out from new. To help address this, we are reviewing how we can increase Beeston's attractiveness to such operators within the financial envelope.

- The RIBA Stage 4 design has been completed and the main building contract went out to tender at the beginning of June. The table below relates to the main building contract (i.e. excluding cinema fit-out):

Task Name	Start	Finish
RIBA Stage 4: Technical Design	17/01/19	31/05/19
Issue ITT (Bid Period)	07/06/19	19/07/19
Review ITT	22/07/19	02/08/19
BBC Board meeting	12/8/19	12/8/19
Appoint Contractor (NEC4 ECC)	19/08/19	19/08/19
RIBA Stage 5: Construction	20/08/19	03/08/20
Cinema Soft Launch/Press Day	23/11/20	23/11/20
RIBA Stage 6: Handover and Close Out	07/12/20	07/12/20

- A number of risks remain to the delivery of the project.

The project risks have been monitored and mitigated where possible throughout Stage 4; the main risks to be identified on the risk register (along with their mitigation and status) are:

Footpath Order

- Existing footpath along B&M requires re-routing, requiring Council approval but can be called in by Secretary of State if there are objections.
- If it goes to the Secretary of State then the construction start will be set back by several months, resulting in a possible start Jan 2020.
- The period for objections closed on 13 June.

Commercial Retail and Tenant

- Lack of interest in retail and restaurant opportunities, resulting in lower lease receipts and reputational impact.
- Early engagement of Cinema operator, appointment of experienced agent. Allowance within project budget for first tenant incentive (rent free or reduced rent periods, F/O contribution).
- Open risk until contract exchanged.

Site conditions

- Unexpected below ground utilities identified during construction works.
- Utilities diversions required - Awaiting further information from contractor regarding any further utilities.

Late Client design change

- Design change by Client, or future operator.
- Collaboration with Client (BBC) with progress meetings. Instigate a change control process that requires Client sign off of all such changes based on advised cost and programme implications.

Committee/Board Approval

- Approval delay due to increase in costs, change of design, change of management.
- Delegate authority to Deputy Chief Executive and project board meetings. Continue critical communication.