

Circus Street

Cathedral (Brighton) Ltd

Full Business Case

Final Revised Version March 2015



1. Executive Summary

A Planning Application for the scheme described in full below was heard at Brighton & Hove City Council's Planning Committee in September 2014 and received a resolution to grant.

The proposed scheme will provide:

- 142 new homes
- 232 net additional FTE jobs
- A 30,000 sqft office building,
- 450 student accommodation bed spaces
- A Library and Academic building for the University of Brighton (UoB)
- A cultural building for South East Dance (SED) called "The Dance Space"
- New start-up workshops, Retail units and restaurants,
- New public realm to include a public square and landscaped courtyards

To regenerate a derelict site that has lain vacant for 9 years by driving positive social, cultural and economic change for the Turner Area in Brighton and for the City as a whole. This will be achieved through the provision of housing, the creation of approximately 400 jobs, the spending impacts in the economy, the provision of public assets, and an improved public realm.

The mix of residential, business, education and cultural occupiers on the site will bring a wide variety of people into the area, benefitting existing local businesses. Economic impact studies indicate that the development will create approximately 232 predominantly local jobs. It will generate £1 million in council tax, new business rates contributions and new homes bonuses. It would encourage student and new resident population spending in and around the site and would boost the local economy by more than £10m each year due to a multiplier effect.

The development site is a rectangular piece of land of 1 hectare. The council own the freehold of the majority of the site which comprises the derelict market building and a car park. The University of Brighton owns a smaller freehold which comprises an academic building.

Cathedral (Brighton) Ltd is the developer of the site and was selected by the Council in 2007. Cathedral (Brighton) Ltd consists of Cathedral Group (Holdings) and McLaren Property. Cathedral (Brighton) Ltd, Brighton and Hove City Council and The University of Brighton are party to a Development Agreement. Under this agreement Cathedral (Brighton) will develop the site and will deliver a Dance building for the Council and a Library and Academic building for the University. South East Dance will occupy the Dance building, and have secured funding from various sources including a grant from The Arts Council.

The scheme mass had to be reduced due to planning constraints. The reduction in mass of the buildings had a direct impact on viability. The developer is working on an entirely open book approach with the Council and as part of the Development Agreement profits above 17.5% of Gross Development Value (GDV) are split with the Council. The original planning scheme generated a profit of 17.5% profit, which is the minimum margin required for funding and to enable this important development to progress.

In September 2014 the revised scheme was heard at committee at received a resolution to grant. The Heads of Terms for the Section 106 agreement have been agreed and it is expected that the S106 will be signed by the end of December 2014.

The scheme is not viable as the reduction in quantum reduced the value. In summary terms the reduction in Gross Development Value is £5m, which when offset with a saving on build costs of £2.3m (due to a reduction in quantum), creates a viability gap of £2.7m.

£2.7m is requested to enable this important development to proceed.

2. Strategic Case

2.1 Business need – the problem that needs to be addressed

Strategic Context:

Strategic Importance of Brighton & Hove

The city of Brighton and Hove is at the heart of the Greater Brighton City Region. The City is expected to continue to function as an economic growth hub for the wider Coast to capital LEP sub-region and the council with its partners share an ambition to improve the City's employment rate. Recent studies have consistently identified the shortage of employment premises and employment land supply as threats to business and employment growth in the city. Employment sites across the city need to be safeguarded and upgraded and through the regeneration of key sites new employment floorspace created.

City Deal

Agreeing a City Deal for the Greater Brighton City Region marked the start of a wider long term commitment to investment in Greater Brighton, with the aim of fulfilling the area's economic potential and turning it into one of the best-performing urban economies in the country. The City Deal aims to improve job prospects, earnings and business opportunities by establishing growth centres across the city region, drawing upon on one of the most highly-skilled workforces in the UK. The Deal triggered a programme of investment to:

- Establish a prominent creative tech growth centre in Brighton's New England quarter to compliment Tech City in London as the nation's fastest growing tech cluster.
- Develop a network of university backed growth centres, unlocking sites to create space for businesses to grow, including the **Central Research Laboratory** at Preston Barracks and the **Circus Street** mixed use regeneration scheme
- Deliver flood defences to unlock investment in areas of growth potential at Newhaven and Shoreham Ports and Shoreham Airport
- Deliver 8,500 new jobs across the region over the long term.
- Establish a new **Greater Brighton Economic Board** of public, private and university sector partners to lead the region's economic strategy

The City Deal strategy and Greater Brighton Investment Plan are both aligned with the **C2C LEP Strategic Economic Plan** and **Growth Deal Investment Plan** with streamlined reporting to the Greater Brighton Economic Board and LEP Board.

Greater Brighton Investment Programme

The **Circus Street regeneration scheme** forms part of the **Greater Brighton Investment Programme** that was agreed by the Greater Brighton Economic Board in May 2014. The Greater Brighton Economic Board has oversight of the delivery of each of the projects within the programme. The Officer Programme Board monitors delivery on a bi-monthly basis and highlight reports on each project are presented as a standing item to each quarterly meeting of the Economic Board.

Local Development Plan

The redevelopment of the former Municipal Market at Circus Street in Brighton has been a strategic objective in Brighton & Hove for around 14 years, ever since plans were put in place to relocate the market to the edge of the city. It is a key brownfield site in the central area of the city that has the potential to deliver jobs, housing, student accommodation, further education and cultural facilities, around a high quality public realm and also act as a regenerative catalyst in the local area.

The strategic importance of the site in meeting a range of local needs is reflected in a range of local planning documents. The Brighton & Hove Local Plan (adopted in 2005) allocates the site for a mixed use development including offices and housing. In 2006 a Supplementary Planning Document (SPD 05) was adopted to provide further guidance on the site's planning requirements and development options, widening its land uses to include higher education facilities. The land use options and floorspace figures were reflected in subsequent work on updating and replacing the adopted 2005 Plan, most recently in the Brighton & Hove City Plan, the formal adoption of which is anticipated in 2015. The City Plan includes the site as a strategic allocation (part of an identified Development Area) recognising its importance in contributing to the city's economic growth and addressing a wide range of needs in this respect.



The Development proposal

A planning application for the scheme (described in full below) was submitted to the Local Planning Authority (Brighton & Hove City Council) in October 2013. The Planning Officers raised concerns about the amenity harm to the existing properties to the east (the Milner Flats) in terms of a reduction in daylight. The applicants worked in conjunction with the Local Planning Authority to reach a solution that reduced the harm to the Milner Flats to enable this important development to proceed. The only way to reduce the impact of overshadowing was to reduce the mass of the buildings and move them away from the boundary of the site.

The reduction in mass of the buildings had a direct and negative impact on viability. The developer is working on an entirely open book approach with the Council and as part of the Development Agreement profits above 17.5% of Gross Development Value (GDV) are split with the Council. The original planning scheme generated a profit of 17.5% profit, which is the minimum margin required for funding and to enable this important development to progress.

The developer explored a number of options with the Local Planning Authority to reach an acceptable solution. The solution that was chosen, which lowered planning risk, was to reduce and move the library building away from the boundary with the Milner Flats, with a modest reduction in the office to accommodate the realignment and a reduction in the mass of the student accommodation buildings, which are adjacent to the boundary with the Milner flats. In comparison to the submitted planning scheme, the amended scheme produced less value and profits were reduced to a level that is not viable for funding.

In September 2014 the revised scheme was heard at planning committee and received a resolution to grant. The Heads of Terms for the Section 106 agreement have been agreed and it is expected that the S106 will be signed by the middle of November 2015.

The reduction in Gross Development Value is £5m, which when offset with a saving on build costs of £2.3m (due to a reduction in quantum), creates a viability gap of £2.7m.

In order for the developer to proceed with the scheme, additional funding of £2.7m is requested.

2.2 The Project/Programme

2.2.1 Description

Circus Street is a mixed use regeneration project to drive positive social, cultural and economic change for the Turner Area in Brighton and the City as a whole. Delivering to a brief devised by the Council, the developers are making innovative use of a land asset to leverage value far greater than site value alone. The Council are granting a 250 year lease over the property, which on expiry reverts back to the Council.

The site is approximately a hectare in area and currently houses the derelict former Municipal Market building, a university building and a car park. The proposed scheme will provide:

- 142 new homes
- 387 additional jobs and 232 net additional jobs after displacement and substitution
- A 30,000 sqft office building,
- 450 student accommodation bed spaces
- A Library and Academic building for the University of Brighton (UoB)
- A cultural building for South East Dance (SED) called "The Dance Space"
- New start-up workshops, Retail units and restaurants,
- New public realm to include a public square and landscaped courtyards

2.2.2 Objectives

The objective is to regenerate a derelict site (that has lain vacant for nearly 12 years) by driving positive social, cultural and economic change for the Turner Area in Brighton and for the City as a whole. This will be achieved through the provision of housing, the creation of 232 jobs, the spending impacts in the economy, the provision of public assets, and an improved public realm.

The site is grossly underused despite its sustainable and sought after location close to the centre of Brighton, the seaside and major public transport interchanges. The area in which it is located is currently one of the most deprived wards in Brighton and the regeneration of this brownfield site will bring both direct and indirect benefits for the local community and the city as a whole.



2.2.3 Key Strategic Benefits

The mix of residential, business, education and cultural occupiers on the site will bring a wide variety of people into the area, benefitting existing local businesses. Economic impact studies indicate that the development will create approximately 232 predominantly local jobs. It will generate £1 million in council tax, new business rates contributions and new homes bonuses. It would encourage student and new resident population spending in and around the site and would boost the local economy by more than £10m each year due to a multiplier effect.

The table below quantifies the potential impacts that the development will have on business and the economy.

Table 6.3: Business and Economy Potential Development Impacts		
Potential Impacts	Annual	10 Years
Net Employee Spend	£6,841,000	£68,410,000
Student Spend (10 %)	£166,000	£1,660,000
Non Student Visitor Spend	£1,054,000	£10,540,000
The Dance Space	£700,000	£7,000,000

Table 6.3: Business and Economy Potential Development Impacts		
Potential Impacts	Annual	10 Years
New Homes Bonus (*)	£342,000	£684,000
Additional Business Rates	£317,000	£3,170,000
Additional Council Tax Revenue	£332,000	£3,320,000
Total	£9,752,000	£94,784,000
Note: *New Homes Bonus estimated for only two years		

The main office building will be a new centre for innovation and enterprise that will maximise the potential for linking the University's research functions and private organisations that will cohabit in the building. This Innovation Hub will, in turn, create and support fledgling new business in the City and generate opportunities for students, graduates and university staff to work alongside SMEs and larger organisations. Demand for office space is high and there is an acute shortage in Brighton of quality space. This means that there is leakage of companies out of the city who are unable to find larger premises as they grow. The lack of quality space also acts as a barrier for companies looking to locate in the city as they will struggle to expand and find larger offices as they grow.

Other employment space onsite will be the workshop/retail units on the ground floor of Circus Street that will provide small manufacturers, creative businesses and artists space to create and sell locally produced products.

The Proposed Development is expected to deliver 387 FTE gross jobs, based on standard employment: floorspace ratios, assuming 100% occupancy. Once leakage, displacement (including substitution) and multiplier effects are taken into account, the Site is expected to deliver 232 additional FTE net jobs to the city.

Based on the average annual salary for full-time workers in Brighton & Hove (£29,508), this would add approximately £6.8 m to the city's economy. The extent of the economic impact of the commercial space on the Site would depend on the nature of the businesses it attracts.

The provision of 142 residential homes will provide the city with much needed new homes. There are currently no homes on the site at the moment. A key part of the BHCC's strategy is to release houses for families by building more Student Managed Accommodation in the city. The Proposed Development, with its proposed 450 units, is one of a number of sites, where this is planned. The student residential accommodation could therefore contribute substantially to releasing more houses to the market for families in other parts of the city. In addition, there would be potential community benefits of housing students in managed accommodation.

The provision of Student Accommodation is also expected to unlock a substantial supply of family housing in the City where students may otherwise live, which eases the housing shortage.

The Dance Space will house SED and provide them with much needed production space, a theatre and public space for community participation. The growing artistic community in Brighton has no dedicated space for dance and it is estimated that 60,000 people will use the space every year. It will become a cultural and community hub, where people gather to collaborate, participate, watch and learn. It will be accessible to all with strong community focus. SED will be running a programme of fitness and dance classes and engaging with the local community to help shape this programme. Workspace will be available for hire for other creative dance industries wanting to come to Brighton which will help cross subsidise the operation of the Dance Space.

The Library and Academic building will be accessible for the public and will include exhibition space and a café. The UoB will run a programme of educational courses, which the local community and residents throughout the City will be welcome to attend

2.2.4 Key Stakeholders and their roles and responsibilities

The development site is a rectangular piece of land of around one hectare. The council own the freehold of the majority of the site which comprises the derelict market building and a car park. The University of Brighton owns a smaller freehold which comprises an academic building.

Cathedral (Brighton) Ltd is the developer of the site and was selected by the Council via open competition in 2007 (as described in greater detail in Section 4.2). Cathedral (Brighton) Ltd consists of Cathedral Group (Holdings) and McLaren Property.

Cathedral (Brighton) Ltd, Brighton and Hove City Council and The University of Brighton are party to a Development Agreement. Under this agreement Cathedral (Brighton) will develop the site and will deliver a Dance building for the Council and a Library and Academic building for the University.

South East Dance will occupy the Dance building, and have secured funding from various sources including a grant from The Arts Council.

2.2.5 Strategic Options for Delivery

The Council have a conditional development agreement with Cathedral (Brighton) Ltd to develop the site. There are several conditions that must be satisfied before this Development Agreement becomes unconditional. One of these conditions involves the Developer being satisfied that the development is viable and will achieve a minimum of 17.5% profit on GDV. If the development is not deemed to be viable, then the Developer is not obliged to carry out the development.

Option 1: Do nothing

Without taking action to secure funding, or increase the development value of the site the development will not satisfy the viability condition of the Conditional Development Agreement and the developer is not obliged to carry out the development.

Option 2: Increasing the density on site to increase value

The only way to increase density, without reducing public open space would be to increase the physical height of the buildings. This would increase overall floorspace and saleable area, thus increasing the development value.

Option 3: Changing the mix of uses on site

If lower value uses were replaced with higher value uses (i.e. office replaced by residential) then the gross development value would increase.

Option 4: Reduction in the provision of Affordable Housing

The scheme currently provides 20% affordable housing. The percentage of affordable housing could be reduced which would allow more market housing to be provided. Increasing market housing would increase the development value of the scheme and improve viability.

Option 5: Reduced the Section 106 monies available

Currently there is an allowance for £300k that can be allocated to items within a S106 agreement. This could be removed and this money would go towards improving the viability of the scheme.



2.2.6 Risks of Strategic Options

Option 1: Do nothing

The Council will lose the development partner and it is very unlikely that the site will be regenerated in the short to medium term. The site will remain derelict and the Council and the City will not gain the benefits that would be generated by redevelopment.

Option 2: Increasing the density on site to increase value

The mix of uses has been carefully designed and extensively tested to provide the best configuration that meets the brief and also creates a successful place with useable public realm, such as the events square. The site is visible from many view points identified by the local planning authority as visually sensitive with regard to heritage considerations. It is not situated within one of the 'nodes' or 'corridors' that have been identified in local planning guidance as potentially suitable for tall buildings. Moreover it is in sight of the Royal Pavilion, a Grade I listed building and unarguably the most iconic landmark building in the city.

The local planning authority and the Developer consulted with English Heritage and the Regency Society during scheme design who required that the height of some of the buildings were reduced before the scheme was submitted to the Council. During the determination period of the application the local planning authority required that the overall height of the scheme was reduced further and the 14 storey building was reduced to 13 storeys, with a recessed top floor. There are two tall buildings on the site; a 10 storey building and a 13 storey building. The remaining buildings are 5- 7 storeys, and there is no scope to increase their height due to planning constraints.

Increasing the height of buildings on site would require a new planning application to be submitted to the Local Planning Authority. This would have significant cost implications and would carry an unacceptable planning risk.

Option 3: Changing the mix of uses on site

The current mix of uses is in accordance with the policy requirement contained within the emerging Development Plan (Brighton & Hove City Plan). The mix of uses, in the same way as the density, has been carefully considered to create a balanced scheme to provide a complementary mix of uses specifically to create social, economic and cultural benefits.

This amendment would require a new planning application to be submitted, which would have time and significant cost implications as the design work, and the technical elements of the Environmental Statement would have to be re-worked. All of this spending would be at risk as it is not guaranteed that the site would receive planning permission for a scheme that was not in accordance with the policy requirement in the emerging City Plan. Due to the costs incurred to date on the application it is not feasible to incur further significant costs.

Option 4: Reduction in the provision of Affordable Housing

The Developer consulted a cross-party board of Councillors and it was concluded that a scheme that proposed no affordable housing would not be deemed acceptable. To present a scheme at planning committee that incorporates a reduced element of affordable housing is a high planning risk.

Option 5: Reduced the Section 106 monies available

Adding the £300k back into the appraisal would only make a small contribution to improving the viability, as the total viability gap is £2.7m.

All of the options above, apart from the do nothing option, present an unacceptable planning risk and some would change the fundamental aims and outputs of the scheme significantly. The developer has already incurred significant planning cost and would incur further costs if a new planning application is to be prepared and submitted. Without Planning Permission the scheme cannot go ahead and the Developer and partners (The Council and The University) need to find a solution to restore viability that does not also increase planning risk and further planning costs.

2.2.7 Constraints

Planning – as discussed above the gross development value is constrained by the density and mix of uses that is dictated by planning policy and the regeneration aspirations for the site.

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The Development Agreement – The developer requires 17.5% profit, the developer is required to build a library and academic building for the University and a Dance Centre for South East Dance.

Delivery – the library and academic building must be delivered during a summer window. The developer had originally agreed to deliver this building during the summer of 2016, however delays in obtaining the planning permission mean that this building will now be delivered for the summer window of 2017.

Funding – the developer has spent a significant amount of money at risk and if the project is further delayed the interest on that money will increase costs and reduce profit.



2.2.8 Initial Affordability Assessment

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The project is funded by a mixture of private sector finance, equity and cross financing through managing the sales and delivery strategy (i.e sales from early phases can fund the building of latter phases). In addition cash flow is assisted as there is no up-front payment for the public sector land. The developer will be obtaining funding partly from a bank loan and partly through forward funding from investors.

2.2.9 Long term sustainability

The Library and academic building will be owned and managed by the University.

The Dance Centre will be owned by the council and occupied and managed by South East Dance.

The Student Residential will be sold to an investor and leased to an occupier.

The housing will be sold to private owners, or an affordable housing provider.

The Office will be sold to an investor and leased to commercial occupiers.

There will be a site-wide manager to manage the estate. Each user will contribute proportionally to the costs of the estate manager. This will include upkeep of the public realm, maintaining emergency access and arrangements for public events on the square.

3. Economic Case and Option Appraisal

Long-listed Options

Option	Strategic Fit	Achievability	Acceptability	Affordability
Option 1 Do nothing	Does not meet needs	N/a	Unacceptable to all stakeholders	Minimal cost of maintaining the current building on site at present.
Option 2 Increasing Density	Meets most key needs	Unable to deliver requirements due to planning constraints. The developer has been informed by the Local Planning Authority that this would contravene planning policy. The developer has to reduce density at the request of the Local Planning Authority.	Unacceptable to most stakeholders. A new planning application would have to be submitted.	Far in excess of budget. The costs of a revised planning application are prohibitive and the delays in programme would increase cost and risk. The delays in programme would also mean that the objective of building the Library and Academic would not be achieved.
Option 3 Changing the mix of uses on site	Meets some needs	Unable to deliver requirements due to planning constraints. This would contravene planning policy and would not deliver on the requirements to provide a mixed-use development with the associated regeneration benefits.	Unacceptable to most stakeholders. A new planning application will be required.	Far in excess of budget. The costs of a revised planning application are prohibitive and the delays in programme would increase cost and risk. The delays in programme would also mean that the objective of building the Library and Academic would not be achieved.
Option 4 Reduction in the provision of affordable housing	Meets some needs	Unable to deliver requirements due to planning constraints	Unacceptable to most stakeholders	In excess of budget and significant delays to programme.
Option 5 Reduced Section 106 monies available	Meets most key needs	May not be acceptable to Councillors	Unacceptable to some stakeholders	Far in excess of budget

Option 6 Proceed with current scheme and obtain funding	Meets all key needs	Delivers all requirements	Acceptable to all stakeholders	On budget
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3.1 Short listed options

Options 2, 3 and 4 present significant planning risk, and even with unlimited funds available this constraint cannot be overcome. These options therefore must be discounted.

Option 1 does not deliver on any of the objectives.

Options 5 may present less planning risk, however it would require a new planning application and the costs would be significant. **Commercially Sensitive Information** The saving from revised S106 payments would be £300,000, which would not cover the current £2.7m shortfall.

The only option that would allow the project to proceed without incurring more planning cost and risk is Option 6.

3.2 Cost benefit analysis

3.2.1 Affordability

	Description of cost	Description of benefit
Option 1	Demolition of the current market building, as it is unlikely to be safe in the foreseeable future. Opportunity costs of the regeneration benefits.	No additional benefit.
Option 5	Scheme does not get built as the saving is insufficient to restore viability. Opportunity costs of the regeneration benefits.	No additional benefit
Option 6	Whole project costs. £2.7m funding.	Full regeneration benefits of the scheme are realised.

Risk

Option 1: Do nothing

The Council will lose the development partner and it is very unlikely that the site will be regenerated in the short to medium term. The site will remain derelict and the Council and the City will not gain the benefits that would be generated by redevelopment.

Option 5: Reduced the Section 106 monies available

Adding the £300k back into the appraisal would only make a small contribution to improving the viability, as the total viability gap is £2.7m.

Option 6: Proceed with current scheme and obtain funding

Assuming the Development Agreement is signed and work commences, this option presents minimal risk.

3.3 Recommendations and preferred option

The only option that enables the full scheme to be built, and achieve the full associated regeneration benefits is Option 6.

4. Delivery

4.1 Output specification

The project requires the provision of certain outputs:

- Signing the S106 agreement
- Placement of a build contract
- Delivery of the development as per the approved planning application

4.2 Procurement Strategy

The developer Cathedral were procured jointly in 2006 by Brighton & Hove City Council and the University of Brighton as the end-result of the following process:

- Approval by the council's Policy & Resources Committee on 13 July 2005 of an Information Memorandum to instigate a procurement process to select a preferred bidder for the site. This provided potential bidders with the information they needed to decide whether or not to submit a bid – and at the same time ensured compliance by the council and the university with the OJEU process.
- A two-stage competition process. At Stage 1 interested parties responding to the OJEU notice were sent an Information memorandum and were required to complete a pre-qualification questionnaire. This was used to draw up a shortlist of four bidders by the council and the university. Evaluation criteria were approved by the council's Project Board and the university and were based on an assessment of technical capacity, economic and financial capacity and legal position.
- At Stage 2 each of the shortlisted bidders was issued an Invitation to Negotiate (ITN). This stated the submission requirements necessary for full bids, gave details on the six assessment criteria and further information on the bid process. Detailed assessment of the bids was undertaken by an officer technical assessment panel, comprising both council officers and representatives from the university. The outcomes were reported back to the project Board who agreed the assessment process and approved the assessment criteria.
- Following the above process Cathedral were successful in becoming the preferred developer. Throughout the development competition process the council and university worked in close partnership. The university participated on the Project Board as well as providing specialists in finance, sustainability and architecture to assist in the assessment process. This partnership has been maintained in working with the preferred developer (i.e. Cathedral).
- There was no subsequent challenge mounted to the appointment of Cathedral as the preferred developer.

Cathedral (Brighton) Ltd have an agreed procurement strategy under the Development Agreement with the Council and the University. The Strategy sets out a method to reach an agreed contract, with probity, that offers cost certainty, mitigates and allocates project risk, reflects value for money and market conditions.

The strategy is fair and reasonable to both parties, achievable within the development programme and relate back to the joint venture agreement.

It is intended to procure the construction through a main contractor. In order to ensure cost certainty it is proposed that a JCT '11 design and build contract will be used, using contract amendments.

To demonstrate value for money to stakeholders a hybrid combination of open book tendering, market testing and benchmarking with sign off from the contractor is proposed. This will ensure that the total cost and that of its elements are competitive and reflect value for money i.e. benchmark favourably with similar developments.

4.3 Implementation Timescales

	Start	End
Planning	Oct 2013	Oct 2014
Demolition	July 2015	Sep 2015
University building (Build/PC)	Nov 2015	Jul 2017
Student Accommodation	Nov 2015	Jul 2017
South East Dance Building (Build/PC)	Aug 2016	Jun 2017
Office (Build/PC)	Jan 2016	Apr 2017
Retail (Build/PC)	Apr 2016	Jun 2017
Residential	March 2016	April 2018

4.4 Contract Management Approach

BHCC has a tailored project management approach that evolves and adapts itself to the needs of its various projects. With regard to Circus Street, a range of officers have provided expert advice in relation to legal, financial, planning and regeneration issues. A member representative from each of the council's political parties has been kept abreast of project developments via member briefings, with key decisions made through the council's Economic Development & Culture Committee and Policy & Resources Committee, as appropriate. A Project Manager within the City Regeneration division provides a facilitating role and point of contact between the relevant officers and members in the council, setting up project meetings as and when necessary and attending Partners Meetings of the wider development team, along with these key officers. The project manager reports directly to the Head of City Regeneration who also attends Partners Meetings. Having now reached a stage where planning permission has effectively been granted (subject to sign-off of a Section 106 Agreement) the main elements of project management are now focussed on delivery.

Appendix I provides a diagram of the project management approach within the council that will be applied for the delivery element of the programme.

The build contract will be managed by the main contractor and the developer as client will employ a project manager to manage the contract. Partners meetings involving Cathedral, the council and the university will continue to take place on a monthly basis to monitor progress, highlight and resolve issues.

The council will monitor progress on the project and apply appropriate financial controls and checks in respect of the developer's drawdown of the grant.

5. Financial Case - the cost to the public purse, and budgeting

5.1 Budget Profile

Commercially Sensitive Information

6. Management Case

6.1 Project Dependencies

There are a number of dependencies in delivering these project. Failure to deliver these are the key risks. They include:

- The project is dependent on ensuring that it achieves a 17.5% profit on GDV otherwise it will be deemed unviable by the Joint Venture Development company and would not secure development funding. The SEP funding is the most viable way of mitigating this risk.
- Timetable: If the project is delayed excessively then it is at risk of losing funding from key partners. SED's funding from the Arts Council could be removed if the project is not deliverable within the timescales set out in the initial bid (within reason). The UoB has accommodation requirements that need to be fulfilled and if Circus Street is unavailable then they may have to consider other options. Speedy resolution of the planning issues and arriving at a viable scheme is the only way to mitigate this risk.
- Build cost inflation is a risk and the longer the commencement of construction is delayed, the greater exposure to that risk. It is essential that that the financial viability to be secured in order for the the build contract can be agreed with the contractor. Further exposure to build cost inflation will impact on viability and make the scheme undeliverable.

All of these risks and dependencies can be managed by ensuring that we have a scheme that is both viable and acceptable in planning terms, and ensuring that there is confidence about the viability at an early stage. A successful bid for SEP funding will enable the scheme to proceed and remove significant risk.

6.2 Project/Programme Governance, Organisation Structure and Roles

The developer is Cathedral (Brighton) Ltd which is a joint venture between Cathedral Group (Holdings) Ltd and McLaren Property. The developer has a Development Agreement with the council and the University. The Development Agreement governs the relationship and the activities of the parties.

The Council manages a wider portfolio of projects using 'Managing Successful Programmes' (MSP) and PRINCE 2 methodology as a framework. Portfolios of projects are co-ordinated into investment programmes which are overseen by a City Regeneration & Investment Board comprising the Executive Leadership Team. The Greater Brighton Investment Programme is overseen by the Greater Brighton Economic Board. A consistent highlight reporting process has been agreed with the Greater Brighton Economic Board and C2C LEP Board to provide regular assurance around delivery and management of risk.

6.3 Communications and Stakeholder Management

Communication and stakeholder management is led by the developer. The Council and the University are key stakeholders and it is important that there are clear communication lines between the parties. Regular partner's meetings are held. Also regular meetings are held with South East Dance.

The developer and the contractor will be managing stakeholder relations during the build period. This includes neighbour relations.

6.4 Project/Programme Reporting

The developer is working on an open book basis with the Council.

The developer is required to report periodically to the Partners as per the development agreement.

6.5 Key Issues for Implementation

Land use	Control	Ownership	Liability during construction period
Offices	Cathedral – Freehold to be sold on	Freehold to be sold on	Cathedral
Student accommodation	University of Brighton – Lease	Freehold to be sold on	Cathedral
University Library and Academic Building	University of Brighton	University of Brighton	Cathedral
Start-up workshops, retail units and restaurants	Cathedral – Freehold to be sold on	Freehold to be sold on	Cathedral
Cultural Building (The Dance Space)	South East Dance – Lease	Brighton & Hove City Council	Cathedral
Public Realm	Management Company (to be established or appointed)	All freeholders	Cathedral

6.6 Risk Management Strategy

Please see Table at Appendix 3.

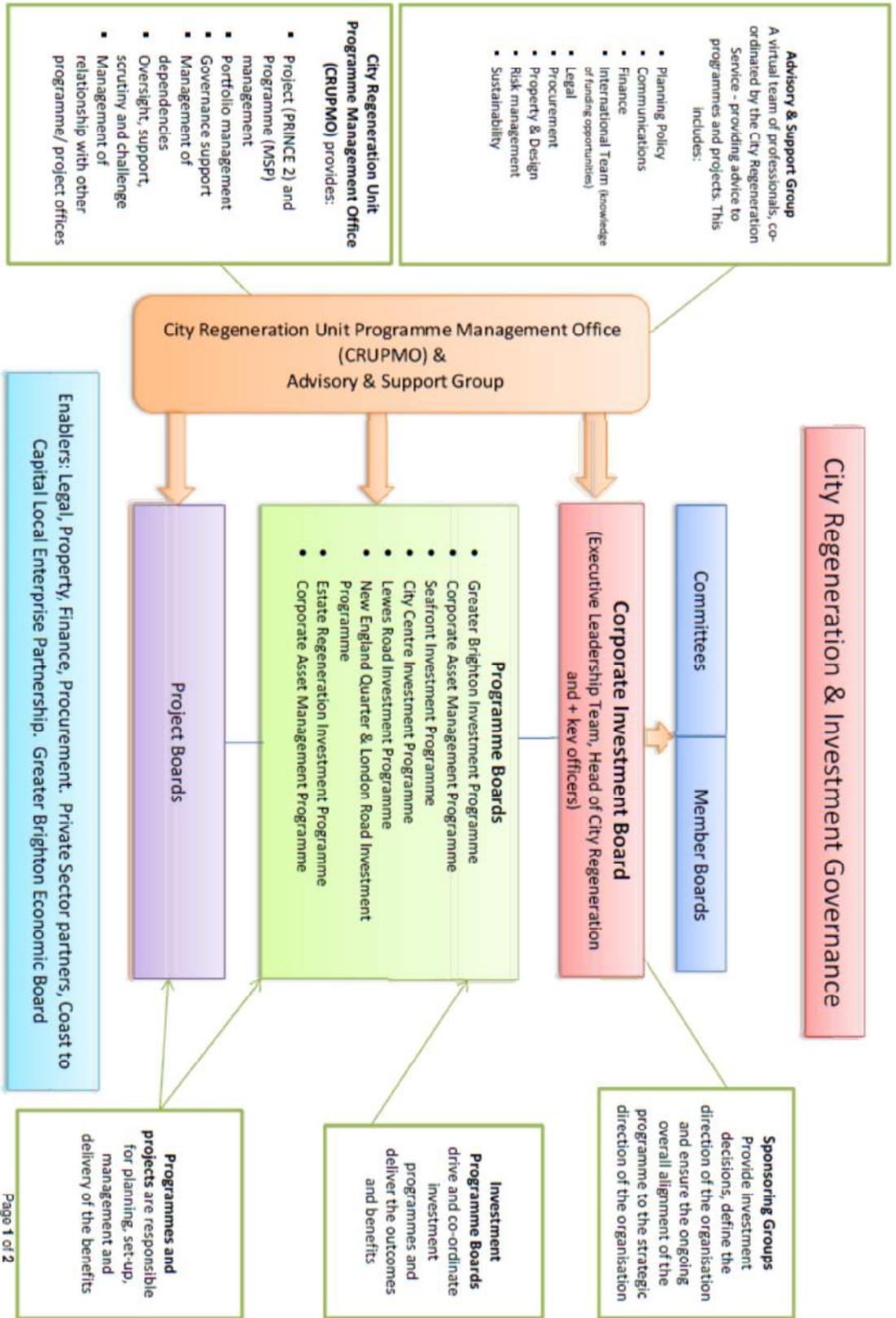
6.7 Project/Programme Evaluation

The project is constantly being evaluated. The Project Manager keeps a log of the targets and deliverables during the project and tracks whether targets are being met. This allows for constant evaluation of progress against programme.



Commercially Sensitive Information

APPENDIX 2



Risk Register: Full Business case for Investment in the Redevelopment of Circus Street

Risk #	Risk description and impact	Risk owner	Control measures/actions	Deadline completed	Action owner	Overall risk assessment		
						Prob	Impact	Overall
1	<p>Programme The university facilities must be delivered within the summer window of 2017. The risk identified is a significant delay to the programme and failing to deliver the Library in the summer window of 2017. This will result in Cathedral (Brighton) Ltd having to pay for temporary accommodation costs for the University. It could also impact Phases 2 and 3 and therefore sales and cashflow.</p>	Cathedral (Brighton) Ltd	<p>The programme and procurement is being managed by Gleeds Project Managers. Design management: The design team are working to a detailed programme with milestones and key dates. This is reviewed weekly and progress closely monitored to ensure that information is produced in order to engage effectively with the contractor market when required. Build contract: To ensure that we are able to negotiate with the contractor we have identified the level of information that they require and have begun a process to market test and benchmark the packages. This will reduce negotiation time. LADS (liquidated damages) will be written into the D&B contract, creating further incentives for the contractor to deliver on time, to budget and specified quality standards. The development will be managed by Cathedral Group and Development Securities, who have an outstanding track record of delivering similar, large scale, complex programmes to time and cost expectations. Moreover, our position as both the developer of the site and the ultimate tenant reduces the risk of</p>	Detailed programme has been created. Key milestones and dates are continually monitored to ensure that the project is on track.	Cathedral (Brighton) Ltd	2	2	4

Risk #	Risk description and impact	Risk owner	Control measures/actions	Deadline completed	Action owner	Overall risk assessment		
			miscommunication.					
2	<p>Cost</p> <p>The build cost has been estimated but there is a risk that we are unable to agree this cost with a contractor. Build cost increases will impact on viability and profit.</p>	Cathedral (Brighton) Ltd	<p>The cost is being managed by the Quantity Surveyors (QS).</p> <p>The QS's are fully integrated into the design team and are monitoring and reporting on the cost implications of any design changes. As design becomes more detailed the cost estimates can become more accurate, The cost is continually being updated.</p> <p>The QS's are market testing the cost plan to ensure that quotes from sub-contractors and for materials are being estimated at market rates.</p> <p>The risk is eliminated once a price has been agreed with a contractor. We aim to have this agreed and signed by October 2015.</p>	The cost plan is continually being updated and refined to reflect design evolution and market data.	Cathedral (Brighton) Ltd	2	2	4
3	<p>Planning conditions and S106 obligations</p> <p>The Planning Permission and S106 impose a number of conditions and obligations, some which have to be discharged before commencement. The process to discharge the conditions will need to be carefully</p>	Cathedral (Brighton) Ltd	<p>Pre- meetings with the Council Planners have been arranged and we have a designated Planning Consultant appointed to liaise with the Council and formulate a strategy and timetable for the discharge of conditions. This is intended to minimise any delays in the approval of the discharge applications.</p>	On-going. The first application to discharge pre-commencement conditions will be in April 2015.	Cathedral (Brighton) Ltd	1	1	1

Risk #	Risk description and impact	Risk owner	Control measures/actions	Deadline completed	Action owner	Overall risk assessment		
	managed to ensure that the programme is not delayed.							
4	<p>Programme The university facilities must be delivered within the summer window of 2017. The risk identified is a significant delay to the programme and failing to deliver the Library in the summer window of 2017. This will result in Cathedral (Brighton) Ltd having to pay for temporary accommodation costs for the University. It could also impact Phases 2 and 3 and therefore sales and cashflow.</p>	Cathedral (Brighton) Ltd	<p>The appraisal has been based on achievable residential values in today's market. Cathedral Group have taken advice from leading local agent Mishon Mackay, who are highly experienced in the sales of new homes. It is not possible to predict future values and the appraisal is based on factual data as at today rather than forecasted figures. The agents have advised that the location of the proposed properties should ensure that the values are upheld.</p> <p>The commercial values have also been calculated based on market values. Agents Cluttons and Oakley's have advised on values. Supply is restricted in the office market and we have been advised that demand will be high for new office accommodation.</p>	Ongoing. The market values are updated periodically to feed into the appraisal.	Cathedral (Brighton) Ltd	1	3	3