
Subject:	DOVER BEACON / BENCH STREET PROJECTS
Meeting and Date:	Cabinet - 3 July 2023
Report of:	Christopher Townend, Head of Place, Investment, Growth & Creative Services
Portfolio Holder:	Councillor Kevin Mills, Leader of the Council (Portfolio Holder for Placemaking, Economic Development and Inward Investment)
Decision Type:	Executive Non-Key Decision
Classification:	Unrestricted

Purpose of the report: To seek further approval for the actions needed to progress the Dover Beacon (Bench Street) Projects, which utilise Levelling Up Fund (LUF) Round 2 and Future High Street Fund (FHSF) grants (creating a combined regeneration project of £25.4m), to the point where the construction contract(s) have been tendered, tender sums received, and submissions evaluated.

Recommendation:

1) To delegate to the Strategic Director (Place & Environment), in consultation with the Leader, authority to take all decisions and actions necessary, , to progress the project to the point where the construction contract(s) tender sums have been evaluated subject to all actions being in accordance with the memorandums of understanding with Department of Levelling Up, Housing & Community and the agreed budget and, where appropriate, to the oversight of Dover Town & Dover Beacon Project Advisory Group.

2) To approve combining the LUF Round 2 funded project with the FHSF project in all respects except the monitoring and evaluation requirements of the funders

1. Summary

1.1 The current phases of the Dover Beacon project comprise:

- a 2000 m² further education (Digital & Creative) campus building (LUF),
- a 700 m² business centre that supports business start- ups and business growth (LUF),
- 800 m² outside public park & open space (LUF),
- 450 m² of car parking (LUF),
- provision of six hubs to expand the current Dover Cycle Hire (Click to Cycle) scheme, (delivered in conjunction with Dover Town Council) (LUF),
- a 680m² creative centre (FHSF),

- improvements to the underpass (FHSF),
 - signage to improve the links between the town and the waterfront (FHSF).
 - Additionally, the land assembly, site preparation and demolition works relate to the Bench Street (West) site as well as Bench Street (East) to enable early future development of the site to complement the current phases of the Dover Beacon project and reinforce regeneration within the town centre (LUF).
- 1.2 The project is developing at pace. The lead design consultant was appointed at the start of June. The contract for the demolition of the buildings on the site was awarded at the end of May and contractors took possession of the site on 19th June. The governance to give members oversight of the project through the Dover Town & Beacon Project Advisory Group was put in place at the cabinet meeting of 3rd June 2023 (CAB 7 refers). Progress is being made with respect to the securing of tenants.
- 1.3 The success of the LUF bid opens the opportunity of combining the design and construction phases with those of the Future High Street Fund project. Redevelopment of the entire site gives greater flexibility about the precise location of the buildings so that the outside space can be improved, creating places where people want to meet and spend time, and to enhance connectivity in this part of Dover, both now and for the future.. Other advantages include reduction of construction costs on both projects and de-risking the construction phase of the project.
- 1.4 It is essential that regular formalised financial scrutiny takes place with the requisite member oversight and in this project such scrutiny occurs primarily in two ways. Dover Town & Beacon Project Advisory Group will scrutinise spending and cashflow against financial projections. It will also scrutinise the sign-off reports at the end of each RIBA project stage with support from the Council's audit team.
- 1.5 The project program is very ambitious. Effective and timely decision making by the Council is a key component of delivering the project in accordance with the program agreed by the funders. Approving recommendation 1 provides the Council with the effectiveness and flexibility of decision making that the project requires.
- 1.6 As crucial to the success of a project as the actual delivery is the perception of stakeholders that the project is successful. A plan to manage information flows, consultation and engagement is being worked up and will be implemented at the earliest opportunity.

2. Introduction and Background

- 2.1 The current phases of the Dover Beacon project comprise the land assembly, site clearance, site preparations, demolitions, and redevelopment of the DDC owned site on the east side of Bench Street and north side of Town Wall Street, (A20). They also include the enhancement of the underpass beneath the A20 and an extension to the existing Dover Cycle Hire (Click to Cycle) scheme.
- 2.2 The first element of the project consists of the provision of a 680m² creative centre, improvements to the underpass and signage to improve the links between the town and the harbour. This is a £4.9m element, funded by a Future High Streets Fund grant of £3.2m and £1.7m provided by Dover District Council (35% contribution).

- 2.3 The second element of the project consists of the provision of a 2000 m² further education campus building, a 700 m² business centre that supports business start-ups and business growth, 800 m² of outside public space, 450 m² of car parking and, to be delivered in conjunction with Dover Town Council, provision of six hubs to expand the current Dover Cycle Hire Click to Cycle scheme. This £20.5m element is funded by a Levelling Up Fund round 2 grant of £18.1m, £600k funding from others and £1.8m match funding provided by Dover District Council (9% contribution).
- 2.4 Additionally, the land assembly, site preparations and demolition works relate to the Bench Street (West) site as well as Bench Street (East) to enable future development of the site to complement the current phases of the Dover Beacon project and reinforce the regeneration within the town centre
- 2.5 The new buildings will be let to suitable tenants, capable of delivering the bid outputs, at market rent on full repairing and insuring leases, which means that Dover District Council will not have any on-going maintenance or other operational liabilities unless, despite the measures being taken in appointing tenants, they fail and cannot be replaced.

3. Update/Current status of project

- 3.1 The project is developing at pace following the formal notification and acceptance of the Levelling Up Fund grant award of £18.1m on 28th April 2023 and receipt of the first payment from Department for Levelling Up housing and Community on 24th May 2023. The lead design consultant was appointed at the start of June and has already revised the programme to account for the delays in awarding the LUF grant. Revised costings were undertaken in June and indicate, based on current known information, that the project is on budget. The contract for the demolition of the buildings on the site was awarded at the end of May and contractors took possession of the site on 19th June.
- 3.2 The governance to give members oversight of the project through the Dover Town & Beacon Project Advisory Group was put in place at the cabinet meeting of 3rd June 2023 (CAB 7 refers)
- 3.3 Progress is being made with respect to the securing of tenants. The opportunity to lease each of the buildings is currently being marketed through the Kent Business portal. Expressions of interest are being sought. As well as requiring the potential tenant to submit a rental income, the Council have included requirements for potential tenants to submit evidence to justify the viability of the proposals, to demonstrate compatibility with the requirements of the grant and to show their financial robustness and track record as an organisation. The choice of tenant is delegated to the Strategic Director (Place & Environment), in consultation with the Leader of the Council, in accordance with the cabinet decision of 3rd April 2023 (CAB114).
- 3.4 In accordance with the approved procurement strategy the lead design consultant and the Council are pursuing a two-stage design and build procurement of the main contractor, which will see the preferred contractor being engaged initially in an advisory role to the design team. This method, which sees the contractor engaged in early September, not only means the contractor is fully aware of the project when putting

together the tender submission but also allows the contractor to feed in solutions that enhance buildability and improve cost effectiveness.

4. Combining LUF funded and FHSF funded elements of the project.

- 4.1 The creative centre element of the project sited at the corner of Bench St and Fishmongers Lane, which is grant aided through the Future High Streets Fund, began before the successful Levelling Up Fund Round 2 bid was submitted. The success of the LUF bid opens the opportunity of combining the design and construction of both elements to maximise the opportunities of the whole site, which were not available to the stand-alone Future High Streets Fund creative centre project.
- 4.2 Redevelopment of the whole site gives greater flexibility about the precise location of the buildings so that the outside space can be improved, creating spaces where people want to meet and spend time, and to enhance connectivity in this part of Dover both now and for the future.
- 4.3 The combining of the two elements of the project, except for the monitoring and evaluation reports for the funders which must remain separate, will reduce construction costs of both projects. Examples include one set of site offices instead of two, one tower crane, greater efficiencies in the design of services, greater potential for efficient sequencing of works and phased completions.
- 4.4 Combining both elements also de-risks the construction phase of the project, mitigating risks such as one element of the project requiring a road closure, which means that there is no access for deliveries to the other element. The consequences arising from such situations are abortive work, delays and the associated costs. If there is one main contractor, the responsibility and liability for any such delays rests with that contractor as do the associated costs.
- 4.5 One impact will be that the FHSF creative centre element, which currently has progressed further, will need to be aligned with the LUF element timelines, inducing a pause that extends the creative centre delivery date beyond the current deadline imposed by the FHSF funder. Informal discussions with the funder have indicated that there is scope to extend the deadline because of the benefits outlined above. However, until this is confirmed formally, the risk remains. Members are therefore asked to consider the risk when coming to a decision about recommendation two. Procurement of the lead consultant has included provision for combining the design and construction phases of both elements of the project should members adopt recommendation two.

5. Financial Controls

- 5.1 As Cabinet will be aware, delegated authority is a mechanism that aims to ensure that the Council can take the necessary decisions swiftly and without delaying the project. Any delays will add avoidable costs. Such costs can be considerable, particularly in the construction phase where for a project of this size costs can be in the region of £30k-£50k a week. Nevertheless, it is essential that regular formalised financial scrutiny takes place with the requisite member oversight and in this project such scrutiny occurs in a number of ways.

- 5.2 Financial scrutiny is one of the topics that will be considered quarterly by the Dover Town & Beacon Project Advisory Group, supported by the Dover Beacon Discussion Forum (meeting monthly). Cashflow against financial projections is a key focus of this oversight, as is progress against project programme because of the potential cost implications of project over-run. The recommendations of the project advisory group must be considered by the decision makers.
- 5.3 In addition to the quarterly meetings the project advisory group are tasked with reviewing the sign-off reports at the end of each RIBA project stage. Dover District Council's internal audit team will also look at the sign-off reports to inform the Project Advisory Group to help them make fully informed recommendations to decision makers.
- 5.4 The funding requirements provide further safeguards and scrutiny in that the section 151 officer needs to sign off the six-monthly reports to the funders, which are the mechanism to draw down tranches of funding.
- 5.5 The above measures taken as whole provide robust assurance to members regarding sound financial management and are consistent with the Council's project manuals.

6. Project Program and Effective Decision Making

- 6.1 Current project program, which has recently been reviewed by the lead consultant is attached at appendix 1. The anticipated key dates are:

Submission of Planning application	12 th March 2024
Expected date for planning consent	2 nd July 2024
Expected start on- site date	22 nd October 2024

- 6.2 The project program is very ambitious. Effective and timely decision making by the Council is a key component of delivering the project in accordance with the program agreed by the funders. Delays not only have inherent costs but also increase the risk of the project overrunning and the potential for the funder to withdraw some of the grant, as a consequence. Approving recommendation 1 provides the Council with the effectiveness and flexibility of decision making that the project requires, whilst the financial safeguards and member oversight described elsewhere in this report demonstrates good governance.
- 6.3 As the project progresses there will inevitably be circumstances that dictate changes to matters such as design and operational arrangements, which require decisions from the Council. Should those decisions increase the costs of one element of the project, the project team will, if at all possible, identify commensurate savings or funding elsewhere in the project. Only after those avenues have been exhausted would there be a request to extend the budget envelope. Such a request would need to identify a suitable funding stream and would require the prior approval of the section 151 officer.

7. Stakeholder Management Plan, (Communications and Engagement).

- 7.1 As crucial to the success of a project as the actual delivery is the perception of stakeholders that the project is successful. The management of relationships so that people feel informed, and their views valued even if their ideas are not taken forward is critical. A plan to manage information flows, consultation and engagement is being worked up. As soon as the plan is ready it needs to be implemented to avoid an information vacuum. Hence the adoption of the plan is recommended to be a delegated decision.

8. Identification of Options

- 8.1 **Option 1:** Approve recommendations 1 and 2, delegating authority to the Strategic Director (Place & Environment), in conjunction with the Leader of the Council, to make the necessary decisions to keep the project moving forward on program and combining the LUF Round 2 and FHSF funded projects into two elements of the same project in all respects except monitoring and evaluation, which need to be kept separate to satisfy funding requirements.
- 8.2 **Option 2:** Approve recommendation 1 but reject recommendation 2, delegating authority to the Strategic Director (Place & Environment) in conjunction with the Leader of the Council to make the necessary decisions to keep the project moving forward on program.
- 8.3 **Option 3:** Reject both recommendations 1 and 2.
- 8.4 **Option 4:** Terminate project.

9. Evaluation of Options

- 9.1. **Option 1:** This is the preferred option because it embeds effective and flexible decision-making that not only puts in place measures to significantly reduce the risks of delays and avoidable costs but also brings cost savings to both projects. This option also removes the significant risk that separate simultaneous FHSF and LUF Round 2 funded construction projects pose for each other, given the very restricted site. Finally, it provides a more realistic delivery program for the FHSF project.
- 9.2. **Option 2:** This option addresses the issue of effective governance and flexible decision-making that puts in place measures to significantly reduce the risks of delays and avoidable costs. However, it foregoes the potential to deliver economies on both projects, something that is important given the challenging budget constraints and increases the chances of delays to both projects, which would be difficult to accommodate in the ambitious project programs. It is therefore not recommended.
- 9.3. **Option 3:** This option is not recommended because, whilst it is possible to progress both projects independently without seeking to minimise delays through effective and flexible governance, the risks of increased costs and delays that would be likely to extend the completion dates are considered to be unacceptable.
- 9.4. **Option 4:** This option is not recommended because it would halt a project that is a catalyst for regeneration of the town centre, it would forego government funding of £21.3m, it would undermine belief in central government that Dover District Council can deliver government funded projects, and it would send out a message to other potential investors in Dover that regeneration is paused.

10. Resource Implications

- 10.1. Whilst the recommendations of this report seek to reduce costs and delays, which can lead to additional costs, and are likely to reduce the management resources that the Council will need to expend, delivery of both projects does come with risk. The Council is currently engaged in three major capital projects Dover Beacon/Bench Street, Maison Dieu and Dover Fast-track. Such projects typically pose risks in terms of timetable, project creep and overspend. Given the Council's limited and finite capital resources it is critical that the project remains on budget.
- 10.2. Whilst all the decisions, with financial implications for the project, that will be made under authority delegated at recommendation 1 are not yet known, it is anticipated that expenditure emanating from those decisions will be in the range of £100k to £175k. This expenditure is accounted for within the existing project budget envelope.
- 10.3. The key strategic risks to the budget at this stage of the project are detailed within the top-level risk register at appendix 1 together with options for mitigation measures.

11. Climate Change Implications

- 11.1. The body and recommendations of this report are primarily concerned with delivering effective governance and decision making. Whilst such issues have only a marginal beneficial impact on climate change through matters such as minimising the use of energy and materials in the governance process, the delivery of the project does have significant implications for climate change, as do all construction projects. The regeneration benefits to Dover town justify the costs in terms of carbon emissions however the project brief deliberately sets out to reduce carbon emissions as much as possible from all aspects of the project.

12. Corporate Implications

- 12.1 Comment from the Section 151 Officer: Proceeding with the project to the next stage is only expected to cost £100k - £175k. This is a significant sum, but it is modest in the context of the total project cost. However, Members should bear in mind that proceeding represents a significant level of confidence that the project will progress to completion and therefore the risks associated with the entire project should be taken into account at this stage.
- 12.2 Appendix 1 contains a risk register for the project. The original risks and their mitigations are defined as "acceptable", "tolerable" and "unacceptable". These definitions are helpful. They are also subjective and therefore do depend on Members' risk appetite in the first place.
- 12.3 However, it is important that Members appreciate that in a project of this scale and potential complexity, even when all risks have been mitigated, there remains a significant chance that at least one risk will materialise and that if this happens it has the potential to increase the overall costs of the project. As pointed out above, the

Council is also involved in other large scale and complex projects including Maison Dieu and Dover Fast Track.

- 12.4 If the overall project costs of this project (or any other large project) do increase the Council will, at that point, have 4 main options to consider depending on the stage the project has reached and the consequences of the option at that time:
- (a) abort the project;
 - (b) amend the project (possibly reducing scale or costs) to get back within the overall budget while seeking to still maintain / deliver funders' requirements;
 - (c) seek additional external funding;
 - (d) apply additional council resources – probably through the cancellation or postponement of other projects in the capital programme.
- 12.5 Members are also reminded that the Council's resources are under significant pressure from revenue budgets and limited capital finances and therefore applying additional resources to the project may be a difficult decision (MD).
- 12.6 Comment from the Solicitor to the Council: The Strategic Director (Corporate & Regulatory) has been consulted during the preparation of this report and has no further comment to make.
- 12.7 Comment from the Equalities Officer: 'This report relating to the Dover Beacon Project does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>' (KM)

13. Appendices

- 13.1. Appendix 1 Strategic Project Risk Register

14. Background Papers

- 14.1 Cabinet report of 3rd April 2023 CAB 114
- 14.2 LUF Dover Beacon project bid submission documents.
- 14.3 FHSF – creative centre, project bid submission documents
- 14.4 Revised Indicative Project(s) program
- 14.5 Land Assembly Location Plan

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