

	<b>PAPER NO: PC.08(12)</b>
<b>Committee:</b>	<b>Property Committee</b>
<b>Date:</b>	<b>25 April 2012</b>
<b>Subject:</b>	<b>Enterprise Centre – Full Business Case</b>
<b>Author:</b>	<b>Stephen Wells, Director, Estates &amp; Facilities</b>
<b>Executive sponsor:</b>	<b>Bev Jullien, PVC (External)</b>
<b>Recommendation by the Executive:</b>	The Executive recommends that the Property Committee endorse the Full Business Case (FBC)

### **Executive summary**

The full business case for the proposed Enterprise Centre is attached.

The executive summary may be found at paragraphs 1.1 to 1.9 on pages 1 to 3 of the paper.

The Property Committee is requested to consider and recommend the full business case to the Policy & Resources Committee, which will consider the case from a financial perspective. If recommended by P&R, final approval will be sought at the Board meeting of 24<sup>th</sup> May 2012 to authorise the award of the construction contract.

	<b>Board/Committee</b>	<b>Date</b>
Matter previously considered by:	Property Committee	29 <sup>th</sup> June 2011/29 <sup>th</sup> Feb 2012.
	Board of Governors	14 <sup>th</sup> July 2011
Further approval required?	P&R	1 May 2012
	Board of Governors	24 May 2012

Communications – who should be made aware of the decision?	N/A.
--	------

# LONDON SOUTH BANK UNIVERSITY

## FULL BUSINESS CASE

## ENTERPRISE CENTRE

This Full Business Case offers a five case (strategic case, economic case, financial case, commercial case and management case) business case to proceed with the investment decision to create the 'Enterprise Centre' which will form Anchor 2 of the approved Estates Strategy Vision. The investment will create a home for student enterprise and a place for meeting with and engaging employers and the community.



**1. Executive Summary**

- 1.1. Higher Education in the UK is going through a period of unprecedented change, with the shift of government funding policy - from direct funding to the Universities to funds following the student. Student fees for home and EU students are increasing significantly, and competition is being fostered through competition for “margin” places, and the encouragement of entry of private providers and FE Colleges. Undergraduate student numbers are being reduced nationally for by 3% in 2012-13
- 1.2. The competitive intensity of the Home and EU Undergraduate market, the main market in which the University operates, is therefore increasing significantly. In response, the LSBU strategy is to sustain its position in this sector - holding student numbers by ensuring focus on quality, professional education in chosen fields leading to student success as shown by employment, entrepreneurship and career progression. In addition, the University is seeking to significantly develop other sectors of its business: Post-graduates; part-time undergraduates; international students, and its enterprise and applied research offering

- 1.3. A key element of the differentiation of LSBU to achieve this, is to position the University in the market as “London’s Enterprising University”. As highlighted in the Corporate Plan 2011-14, this means being intimately connected with the professional workplace, whether in the private, public or third sectors, in order to enrich course content and credibility, provide placements and enhance connectivity and career prospects for students. It means further developing our successful student enterprise pathways, and enhancing credibility, connectivity and revenue streams by engaging in applied commercial research and consultancy, and developing our CPD portfolio. It also means fostering an enterprising approach to everything that we do within the University – and ensuring that we understand and meet the needs of our enterprise customers
- 1.4. The overall estate has a very important role to play, by ensuring that the physical presence of the University embodies what we stand for – professional, functional, focused on student success. In a competitive world, it is important that this is sustained – and that the quality of the buildings complements effectively the unique benefit of a tight central London campus
- 1.5. Within this, the Enterprise Centre will play a vital role. Situated on St George’s Circus, the first building of the University to be seen as you approach from the City or Westminster, it will form a gateway to the University, be a physical manifestation of our commitment to Enterprise, and a venue where the University can engage with all of its external stakeholders in a variety of ways. Specifically, it will be a place where students and staff will meet with business and the community; it will become a hub for the local business community; students and alumni will be able to develop their own businesses, and the University will showcase applied research and enterprise. It will become a vibrant hub for post-graduate and alumni events, and a place where the University can meet with stakeholders to discuss and identify solutions for, their staff development and recruitment needs
- 1.6. The greatest financial benefit of the scheme therefore derives from the ability of the University to sustain its current undergraduate base and grow post-graduate, part-time and international by effectively using the building to support delivery of the Enterprising University ambition. Specific success criteria are included in Section 3 of the paper .To break even, the University needs to increase recruitment by 0.8% each year for the period (i.e. an extra 28 students in the first year).

- 1.7. For comparison, a base case is also evaluated on the basis that the project does not proceed at all and expenditure is limited to the minimum necessary to maintain the buildings in their current condition. In this scenario, the Enterprise team continues to operate out of Technopark. The primary financial consequence of the base case is that the blight that is created by the run-down buildings, both to the campus and to the image of the University, damages future student recruitment. The on-going cost of maintenance is also significant.
- 1.8. Net present value calculations of the two cases, based on a 15 year project life and a 6% discount rate, demonstrate the following:

<b>Case</b>	<b>Description</b>	<b>Project Cost</b>	<b>Break-even</b>	<b>NPV<sup>1</sup></b>
Preferred case (1.0% additional recruitment)	Develop University Gateway and Enterprise Centre	£ 12.8m <sup>2</sup>	Year 13	<b>£ 3.9m</b>
Base case	Minimum investment required to maintain listed buildings in current state	£ 2.2m	N/A	<b>£ (9.9m)</b>

- 1.9. Sensitivity analysis undertaken for both the preferred case and the base case demonstrates that the strength of the case is robust to variations in the assumptions used to evaluate them.

<sup>1</sup> This is calculated over a 15 year period, representing a realistic lifespan for a renovation project of this nature, and using the University standard discount rate of 6%.

<sup>2</sup> This is the project cost of the renovation and development of the Enterprise Centre (excluding £737k already spent as of 31<sup>st</sup> December 2011). Additional post-completion running costs of £11.1m are included in the NPV calculation.

## **2. INTRODUCTION**

- 2.1. The Board of Governors of the University (LSBU Board) approved the University's Estates Strategy Vision on 15th July 2010. The Strategy proposes establishing the three corners of the estate as new "gateways" or anchors to the triangular LSBU Southwark campus, thereby providing a greater sense of identity for the University. The Student Centre project (already underway) forms Anchor 1 and the Enterprise Centre project (the subject of this Full Business Case) forms Anchor 2.
- 2.2. The initial Outline Business Case (OBC) for the Enterprise Centre was approved by the LSBU Board in March 2011 and an update, prepared to confirm the status of the project once the concept design phase (RIBA Stage C) was complete, was approved at the Property Committee in June 2011 and by the LSBU Board in July 2011.
- 2.3. This Full Business Case (FBC) is the final stage in securing full Board approval for the project. It provides justification for the procurement in terms of its alignment with the objectives of LSBU. It also provides the basis for managing the delivery of the project on time, within budget and to agreed quality standards. This FBC is presented to align with HM Treasury 'Green Book' best practice standard business cases and presents five key cases:
- 2.4. **The Strategic Case** - This aspect of the business case explains how the scope of the proposed project fits within the existing business and estate strategies of LSBU and the compelling case for change, in terms of the existing and future operational needs of the University.
- 2.5. **The Economic Case** - This aspect of the business case documents the shortlisted options which have been considered in response to LSBU's existing and future business needs. It aims to arrive at the optimum balance of cost, benefit and risk.
- 2.6. **The Financial Case** - This is an assessment of affordability, available funding and value for money. It links proposed expenditure to available budget and existing commitments.
- 2.7. **The Commercial Case** - This is external procurement and this section outlines the proposed commercial arrangements including risk profile, contract terms, contract length and payment mechanisms.
- 2.8. **The Management Case** - This section addresses the 'achievability' aspects of the project. Its primary purpose is to set out the project governance, organisation and management and the associated actions that will be undertaken to support the achievement of intended outcomes.

### **3. STRATEGIC CASE - STRATEGIC FIT**

#### **The Challenge**

- 3.1. *Student Success*, the University Corporate Plan 2011-14, clearly sets out the University's ambition to become London's Enterprising University – not only through direct enterprise activities, but in all that it does through a pervasive culture of enterprise. This, in turn, represents a key element of the University's approach to attracting and retaining students and to delivering student success – the Enterprising University is a central element of the University's marketing offer. The Enterprise Centre reinforces the strength of this offer both because it is a tangible physical demonstration of the University's commitment to enterprise and because it provides the facility through which the enterprise promise can be delivered.
- 3.2. The Enterprise Centre can also support University research by providing a growing base of commercial contract research to support and maintain research teams, providing income to replace, in part, declining traditional research funding.
- 3.3. This strategic case is set out in three sections showing how the Enterprise Centre delivers value to the University against each of the three central challenges set out in the Corporate Plan: Student Choice; Student Success; and London's Enterprising University. Specifically, it illustrates how the Centre contributes both to the University's marketing offer and to our enterprise offer.
- 3.4. There is a fourth operational challenge that we also face. The University will have to find a viable use for the 17 vacant Grade II listed terrace properties and former Duke of Clarence Public House that are located at the north-west corner of the campus, between Borough Road and London Road at St Georges Circus. In their current state these buildings are expensive to maintain and blight both the University campus and its image as well as the surrounding neighbourhood. The Enterprise Centre project provides a sustainable opportunity to bring the buildings back into use to create long-term strategic value for the University.

**Student Choice**

- 3.5. Students increasingly feel empowered to exercise choice over the university they attend. With the introduction of full fees in 2012, they will need to believe the university they are choosing offers the best return on their very considerable investment. For London South Bank University to be attractive enough to maintain and grow its student numbers in future, it needs to be able to present a compelling proposition in the face of stiff competition.
- 3.6. A successful London South Bank University will therefore need to demonstrate a powerful offer for student success post-qualification, and this will increasingly be built around employability in general and enterprise in particular. The new Enterprise Centre, prominently positioned as a gateway to the University, will provide a striking and powerful physical manifestation of the University's commitment to delivering the Enterprise promise. The prominence of the site means that the development will be highly visible, raising the University's profile locally and strengthening local perceptions about us. More importantly, it will also become a key marketing tool to support the wider repositioning of the University as an Enterprising University, and this is a central part of the University's long-term plan to grow student numbers.
- 3.7. Internally, too, the new facilities will provide important and high quality new marketing possibilities to showcase the University to potential student recruits. For example, the ground floor exhibition space will showcase activities and achievements of students and staff, the café and meeting area will be a place where staff and students can meet with members of the community and external stakeholders, and the entrance will form an inviting way into the campus for visitors, during Open Days for instance.
- 3.8. Moreover, the ground floor space can be offered to schools and further education college partners to host their events. It can be used to host, for example, Youth Enterprise for the South East of England, and can also be offered to key community organisations for their events or exhibitions. Such uses will greatly strengthen University links with, and outreach to, a range of groups, raising the profile of the University for both young and mature students, for undergraduate or postgraduate study. Some of these opportunities, such as those with Youth Enterprise, allow us to reach new audiences beyond those we have traditionally had access to, widening further the potential pool of student recruits.
- 3.9. At many of these events, the exhibition space can be put to creative use showcasing the history and strength of the University, the work of the academic staff or students, successful products, designs or companies created through or with support from the University, or otherwise to highlight student success.



**Student Success**

- 3.10. The Enterprise Centre will provide an effective means to enhance the experience of students during their time at London South Bank University. It will be the hub of the University's student enterprise and entrepreneurship activities, opening a range of new enterprise opportunities to students and allowing us to further strengthen existing programmes.
- 3.11. The ground floor exhibition space will enable the achievements of students to be showcased, creating opportunities for them to interact with and profile themselves to prospective employers, investors or buyers. It can also provide high quality events space, including reception or networking space used in conjunction with other University facilities (for example, at prize giving events).
- 3.12. In addition, the retail spaces give the flexibility to create "pop-up" (temporary) shops to test-market, showcase or launch student products and businesses. They could also house social enterprises which enable students to gain experience whilst providing a service to the community, in social services, for example, or elsewhere, following the example of the Law Centre. The building itself provides the opportunity to monitor the energy efficiency of a creatively renovated listed buildings in the heart of a city.
- 3.13. In addition, the incubation spaces on the upper floors create the opportunity for our students or alumni to develop their business ideas in a supportive environment.
- 3.14. All students and staff will benefit from having a prominent entrance to their institution of which they can be proud – and a building to which they can invite family, friends or contacts, either for an informal chat and coffee – without having to clear security – or to attend an exhibition or function.
- 3.15. Each of these opportunities to support student success can and must become part of the core marketing offer of the University.

**London's Enterprising University**

- 3.16. Enterprise is at the heart of the University's plans to create student success. A truly enterprising University has a pervasive culture of enterprise underpinned by business engagement at all levels across the University. Academics that are involved with business through their research, consultancy or CPD activity are better able to enrich course content and more credible in the lecture theatre. Enterprise activity can create opportunities for students, too, for example to support the delivery of consultancy or commercial research or through placements.
- 3.17. Renovating the Georgian terraces to create an Enterprise Centre provides a clear physical statement of the University's commitment to enterprise and it provides the high quality space necessary to support the improvements we wish to achieve in our engagement with businesses and employers. As an open gateway to the

University, the reception and exhibition space provide an ideal and high quality venue for stakeholder or business events or to host more focused business meetings with our enterprise partners. It also provides a welcoming reception for events being held across the University.

- 3.18. For example, throughout the year, the Centre can host sector specific focus days for key industry sectors at which the skills within the University can be showcased. They would provide “one-stop-shops” which present to the sector both the strength of the University’s offer as a provider of consultancy, applied research and CPD and the strength and suitability of current students for work-placements, project work, or as prospective employees.
- 3.19. The Centre can also become a hub locally for events for business or stakeholder groups in the community – for example, offering Business Breakfast meetings on topical issues for local SMEs.
- 3.20. University enterprise activity will include a growing volume of commercial research work. This will build on and exploit commercially the excellence developed through academic research. Through the revenue this work will generate, the University will have a new and growing source of income to maintain and support research teams even as traditional research funding is diminishing.
- 3.21. Importantly, the Enterprise Centre will also have a leading role to play in promoting an enterprise culture internally within the University. A prominent Enterprise Centre will promote cultural change by demonstrating to all staff that the University means business. It can provide a focus of and venue for academic engagement in enterprise, and it can begin to build pride among both staff and students in an institution that sees an important role for itself in the future of its local community, its city and its students and for the country, and which is prepared to invest to achieve its vision.

### **The Importance of the Site**

- 3.22. The site of the proposed Enterprise Centre, facing onto St George’s Circus, is one of the most prominent external façade on the campus, once renovated, it will have the potential to become among the most attractive in the University. The prominence of the site, which is the first part of the University seen by visitors approaching from either Westminster or The City, means that it has a very significant impact on the public perception of the institution. In their current state, the run down, unoccupied buildings blight this corner of the campus and create a powerful negative impression to the community.
- 3.23. Once renovated and brought back into use, however, the Enterprise Centre can become a significant anchor for, and gateway to, the campus, providing a powerful and tangible demonstration of the University’s strength, dynamism and professionalism and its commitment to enterprise. Situated on the major thoroughfare between the South Bank, Waterloo Station and on the main bus

routes leading to the Elephant and Castle, the Georgian Terraces can become a “living advertisement” for the University and an important element in the University’s ability to market itself domestically and abroad.

- 3.24. On the other hand, if they remain un-renovated even as the redevelopment of the wider Elephant and Castle and other development activity takes place around it, the site will blight the University, increasingly putting us at a competitive disadvantage against our peers who continue to invest in their estates.
- 3.25. The importance of the St George’s Circus site is recognised in the University’s Estates Strategy Vision, which establishes a long-term vision for the Southwark Estate and sets out the long term capital programme to grow student numbers. The Enterprise Centre fully realises the strategic vision on this site and its development will provide the next stage in delivery of the Estates Vision, following on from the creation of the new Student Centre in the north east of the campus. The history of the site is contained in appendix B.

### **The Proposition – A Gateway and Enterprise Centre**

- 3.26. The proposed project is to renovate the 17 Grade II listed Georgian terrace properties and the former Duke of Clarence public house at St George’s Circus to create a new, open gateway to the University campus and to house an Enterprise Centre to support the University’s strategic goal of becoming London’s Enterprising University. The position of the buildings at the north-west perimeter of the University quarter provides a prominent visual and physical connection outwards to the local area and to both Westminster and the City of London.
- 3.27. The gateway will be a vibrant, welcoming and high quality facility, with a community fostered by shared internal and external spaces. It will be both outward and inward facing and, uniquely in the University, will allow people to move freely from the street, through the building and into the courtyard beyond without having to pass through security barriers. Within the building, the public space will include a reception and exhibition space, a public café and a suite of three meeting rooms. Together or separately these will provide considerable flexibility for public facing functions, including corporate entertaining.
- 3.28. The Enterprise Centre will also include a total of 156 workspaces of differing character, size and connectivity, with a common fit-out specification. They will enjoy a dual aspect with excellent levels of natural light. The accommodation includes four individual retail units, each with separate street access, and a range of flexible internal units that can be used as business incubator space or serviced office space, for either tenants or student enterprise associates. Centrally, at the top of the former public house, office space will accommodate the University Enterprise team.
- 3.29. The proposed development has a total floor area of 2,917m<sup>2</sup> gross internal area which includes 748m<sup>2</sup> as new build construction. The design team has engaged

creatively with the constraints and opportunities presented by the existing buildings and their listed status to maximise their flexibility and to retain their heritage features as far as practical. Environmental sustainability has been intrinsic to the design from the outset.

The use of energy has been minimised and, wherever possible, the building is to be naturally ventilated. The new build parts of the development are to have green roofs. Sustainability benchmarks have been set, against which the performance of the completed project will be assessed.

3.30. Consultation with Southwark Council planners, English Heritage, The Georgian Group and other local groups has now been completed and full planning permission and listed building consent was granted on the 30<sup>th</sup> March 2012.

3.31. The proposed floor plans of the development are included in Appendix A of this FBC

**Critical success factors**

3.32. This project is expected to deliver an excellent facility of high design quality, meeting the vision outlined in the Outline Design Brief and that is sustainable, delivered on time and within budget. The key success factors for this project, against which success will be evaluated post completion and signoff, are therefore;

- Design quality, monitored by cost and function benchmarking.
- Sustainability monitored reduced energy consumption and CO2 emissions to exceed target set by Part L2A Building Regulations. The design solution is to optimise the opportunities to achieve an efficient and sustainable solution.
- Time and budget including whole life costs and maintainability, monitored under project governance and regular cost and progress reporting.
- Compatibility with LSBU's EAF Standard Requirements for equipment, fixtures and finishes and Infrastructure Standards, monitored by gateway reviews with EAF and change control procedures.
- Accessibility, monitored by independent access review and compliance with DDA & Building Regulations.
- Adaptability has been monitored by design review
- Gateway reviews may be considered to provide delivery confidence.

3.33. In addition, once the project is complete, the Enterprise Centre will need to succeed in delivering critical services to the University; the services upon which this FBC is based:

- provision of an important marketing component especially to recruit domestic and international students by providing a physical presence to show the University to be a dynamic, forward-looking and enterprising institution

- provision of a high quality space necessary to support the improvements the University wishes to achieve in its engagement with businesses and employers.
- to provide an effective means to enhance the experience of students during their time at London South Bank University, being a hub of the University's student enterprise and entrepreneurship activities and opening an range of new enterprise opportunities to students.
- to provide a high profile 'Gateway' to the campus, allowing us to welcome students, businesses, the community, students and potential students onto our campus, raising the university's profile locally and strengthening local perceptions about us.
- provision of a place to showcase the University's enterprise credentials through the exhibition and gallery space, through the incubator space for start-up or spin-out businesses, through public, business or community events and as a reception for more university wide events.

### **Options Analysis**

3.34. The Executive has looked at a range of alternative options to support the positioning of London's Enterprising University and to address the operational issue of the dilapidated Terraces, and these are each described in turn below. A summary of the options and the extent to which they address the four challenges identified is presented in Table 1 below. Two options, the Preferred Option and the Do Minimum Option (base case), are carried forward to the Economic Case for Net Present Value comparison.

# Enterprise Centre

## Full Business Case

Option	Brief Description	Strategic Challenge 1 Student Choice: Positions LSBU to attract and retain students	Strategic Challenge 2 Student Success: Enhances opportunities and prospects for students	Strategic Challenge 3 London's Enterprising University: Supports creation of a pervasive culture of enterprise	Operational Challenge 4 Reuse of Buildings: Provides a sustainable solution for unoccupied Grade 2 listed buildings	Summary Conclusion (See comments in 3.38 to 3.49 below)
Do nothing at all	No further investment - continuing dilapidation	X	X	X	X	Rejected
Sell site for development	Dispose of site on open market	X	X	X	✓	Rejected
<b>Do minimum (Base Case)</b>	<b>Minimum to sustain unoccupied buildings</b>	X	X	X	X	<b>Comparator. C/F to appraisal</b>
<b>Renovate to create Enterprise Centre (Preferred Case)</b>	<b>Full renovation and conversion of terraces</b>	✓	✓	✓	✓	<b>Preferred option C/F to appraisal</b>
New Centre on Terraces site	Demolish terraces and build new Centre.	✓	✓	✓	X	Not possible due to Grade 2 listing. Rejected
Part Renovate	Façade or partial site renovation.	Part ✓	Part ✓	Part ✓	X	Not possible due to Grade 2 listing. Rejected
Renovate but for alternative use	Use for, say, offices, teaching, student accommodation or other	X	X	X	✓	Rejected
A new build behind the existing Terraces (separate building)	Additional new build behind refurbished terraces	✓	✓	✓	✓	Rejected. Significant extra cost –can be done later
Locate Centre off-site	Secure another site + do minimum to terraces	Part ✓	Part ✓	Part ✓	X	Rejected
Relocate the Centre	Use Chapel building + do minimum to terraces	Limited	Part ✓	Part ✓	Part ✓	Rejected

**Table 1 – Summary of Options Analysis**

**Do nothing at all**

3.35. This option initially costs nothing to deliver in excess of current revenue budget allocations, simply allowing continuing dilapidation to the terraces, but it fails to deliver the strategic vision. This option is not considered viable. The University's competitive position would be eroded over time due to the poor public image created by the run-down buildings and there is a high risk of reactive expenditure to address issues such as public safety or occupation of the buildings (e.g. squatters). This option also gives rise to the risk of early enforcement notices from Southwark Council or English Heritage seeking to protect the Grade II listed buildings. There is a high risk of reputational damage in the community and among community stakeholders, especially Southwark Council, if the current planning permission is not acted upon, and this would be very likely to affect all future planning applications for the University Estate.

**Sell site for development**

3.36. This option does not address the three strategic challenges identified or deliver the approved Estates Strategy for the creation of a campus in inner London. However, if sold, the University would be free of the need to find a use for the listed buildings – this obligation would fall to the new buyer (freeholder). Unfortunately, the buildings are of very little commercial value in the current market. Moreover, this option sees the University giving up control of a prominent and strategically valuable part of the campus. Furthermore, under this option, the cost of the stabilisation works to the terraces completed in 2007 (circa £2.9m) would need to be written off in the financial accounts.

**Do minimum**

3.37. This option involves continuing spend to maintain the terraces in their current condition as vacant, unused buildings and to provide additional physical security measures to secure them from damage or squatters in the medium term (up to 5 years). The Enterprise team would remain in the second floor of Technopark. As in 'Do nothing at all', this fails to deliver the strategic vision and instead causes the University to lose its competitive position both for student choice and in delivering student success. The Enterprise team could continue to operate but would not be able to drive the degree of culture change or the extent of revenue growth projected for the new Enterprise Centre.

3.38. This case has been fully evaluated in the NPV appraisal as the base case against which the preferred case can be compared.

**Knock down the Terraces and build a new Centre**

3.39. A new state of the art Enterprise Centre could be built on a brown-field site to fully address all the strategic challenges identified. Demolition and new-build may even

be cheaper than renovation of the terraces. Unfortunately, because the terraces are Grade II listed buildings, demolition will not be permitted by English Heritage or Southwark Council.

**Only renovate the façade**

- 3.40. It would be possible to renovate the façade only and demolish the remainder of the terraces. This would address the most visible issue of appearance of the site from the road, but would not fully meet any of the challenges identified unless a new-build Enterprise Centre was constructed behind the façade. However, the listing of the terraces covers the whole of the existing buildings, so neither the demolition behind the façade nor the subsequent new-build would be permitted by English Heritage or Southwark Council.

**Partially renovate the Terraces**

- 3.41. It would theoretically be cheaper to create an Enterprise Centre from only a subset of the listed terrace buildings and to continue to maintain the remainder in their current state, reducing the physical area for refurbishment/conversion. However, this option does not address the strategic vision, or create space from which meaningful use can be created. It also does not meet local authority or heritage requirements, leaving some of the listed terraces in their current, unoccupied condition.

**Renovate but for alternative use**

- 3.42. Alternative uses may be possible for the renovated terraces. However, the constraints of the listing mean that the internal space, which must retain the original layout of rooms and most of the building partitions, is impractical for most purposes besides general office space – of which there is already an adequate supply in the University. It is impractical for teaching or for laboratories and workshops. It is similarly unsuitable for student accommodation. There is also no need for further student social facilities given the development of the Student Centre, now underway. Further, it is unsuitable for the Confucius Institute for Traditional Chinese Medicine (a suggested future tenant), because the Institute needs to be in a separate building and, what is more, a building that provides light, airy rooms suitable as treatment rooms or as a gym. The heritage constraints of the terraces make them completely unsuitable for these purposes.



**A new build behind the existing Terraces (separate building)**

3.43. It would be possible to add a separate new build behind, and in addition to, the proposed renovation scheme, especially once the existing temporary building housing the Students' Union has been removed. This additional space could be used, for example, to house more administration staff, enabling vacation of Technopark for possible redevelopment (in line with the approved Estates strategy). This option would address the four challenges identified but is significantly more expensive than the preferred option. There is no immediate need for the additional space created in this option, so there is little value in doing it now. However, it is part of proposed future phases of the Estates Strategy, currently unfunded, and the preferred option for this project is designed to allow such further development in the future, should the need arise.

**Locate the Enterprise Centre off-site**

3.44. It would be possible to develop the Enterprise Centre off site as a new build or refurbished external space, eliminating the excess costs associated with renovation of listed buildings. New build costs are likely to be in the order of £4,050 per m<sup>2</sup>. Assuming the current proposed floor area of 3,094m<sup>2</sup> is reduced by 10% to reflect a more efficient 'blank canvass' design, the build cost would be circa £10.75m. In addition, the site chosen would have to be acquired through purchase or lease, adding to the costs of the project.

3.45. This would give a visible sign of the increased emphasis on enterprise activity, but would not meet the strategic vision: firstly, the University's public image would still be blighted by the image of the run-down Terraces in a prominent location, and secondly, it would not address the wider "enterprising university" agenda because it would lose the connectivity and integration with wider University activities. The "gateway" opportunity would be missed.

**Locate the Enterprise Centre in the Chapel Building**

3.46. The Chapel building is another historic, Grade II listed building in University ownership. This building could also be developed as an Enterprise Centre but estimates indicate that build costs would be higher (circa £18m). This option trades a solution for the use of the St George's Circus building for a solution to the Chapel building and so is assessed as partly addressing this challenge.

However, the two sites offer very different propositions in terms of prominence, the gateway to the University, and the reputational value of the scheme. On these criteria, the terraces offer far greater benefits to the University than the Chapel.

**4. ECONOMIC CASE - OPTIONS APPRAISAL**

4.1. A full economic appraisal has been undertaken both for the preferred case and for the base case including a detailed NPV analysis. In addition, a sensitivity analysis

on the primary assumptions in both cases has been included. These analyses, and the assumptions that underpin them, are described for each case, below.

**The Preferred Case**

- 4.2. The income potential of the Gateway and Enterprise Centre is based on three principal sources: 1) Increased student recruitment; 2) incremental Enterprise income; and, 3) direct income. The assessment of each is set out in the following paragraphs.
- 4.3. As described in the Strategic Case, above, the Enterprise Centre is primarily seen as a project to support the University's competitive position, providing a key marketing asset that will support significant growth in recruitment of undergraduate, post graduate and international students. The most likely case assumed in the model for NPV is that recruitment can be increased in the aggregate across all student sources by 1% per year above current recruitment levels (i.e. 36 incremental students in the first year, rising to 574 additional students in Year 15). Average income of £7,450pa per student is assumed and a conservative gross margin of only 33% is applied. This yields an overall contribution to the NPV of £17.3m.
- 4.4. The second most significant component of the income potential is from incremental Enterprise income. Existing targets require Enterprise income to grow by £8m over 5 years. There is no doubt that the Centre will facilitate this growth, and it is assumed that up to 10% of the growth can reasonably be attributed directly to the value added by having Enterprise Centre itself to support our enterprise activity. The NPV model assumes linear headline revenue growth to £8m additional income over the next 5 years followed by 5% nominal growth thereafter, and 10% of this incremental growth is assumed to be attributable to the Centre. It is further assumed that a 40% margin can be achieved on this income. This incremental revenue contributes £2.7m to the overall NPV.

- 4.5. The final component of income considered is the direct income that can be achieved from the facilities of the Enterprise Centre itself, including the retail outlets, incubation space, gallery and meeting rooms, and the Café. Many of these facilities will be used for University-centred events or to support student entrepreneurs and so are not primarily aimed at revenue generation. Their contribution is therefore likely to be modest. Overall, they add £2.9m to the overall NPV, of which nearly £2.3m arises from the rental of incubator and desk space.
- 4.6. Expenditure consists of two elements: 1) The initial cost of the renovation and development of the buildings; and then, 2) the on-going running costs of the Centre once completed. The costs of development have been assessed through a detailed (Stage F) design process and independently quantified. Total costs are expected not to exceed £13,512,600. For the purposes of the NPV calculation the sunk costs of this project (the costs incurred to date of circa £740,000) are ignored, leaving costs of £12.8m through to project completion in April 2013. These have an NPV of £(12.2m). On-going running costs, including long term maintenance of the buildings once completed, have been modelled using the standard University model for estate costs. On this basis, running costs of £720k per annum have been applied in the NPV analysis, resulting in an overall NPV contribution of £(6.9m).
- 4.7. The overall NPV analysis for the preferred case is summarised in the table below:

<b>Project Element</b>	<b>NPV</b>
Income	
Incremental Student Recruitment	£ 17.3m
Incremental Enterprise Income	£ 2.7m
Direct Income	£ 2.9m
Expenditure	
Construction Costs	£ (12.2m)
Ongoing running and maintenance costs	£ (6.9m)
<b>Overall NPV</b>	<b>£ 3.9m<sup>1</sup></b>

<sup>1</sup> Totals may not sum due to rounding.

### **The Base Case**

- 4.8. The base case consists of the minimum investment necessary to maintain the buildings in their current state and prevent them from degrading further. This will require on-going structural maintenance but it will also require permanent security arrangements to prevent occupation (e.g. by squatters). The cost of this used in the NPV model is based on the recent experience of maintaining the buildings but recognises the recent investment made by the University to secure the structural integrity of the buildings as they now stand. An annual cost of £120k has been allowed for maintenance and security in this base case, resulting in an NPV of £(1.4m).

- 4.9. Much more significant to the financial analysis, however, is the impact of the blight on the reputation and image of the University from such a prominent set of unoccupied buildings on the campus.
- 4.10. As other universities continue to invest in their campuses, and in their Enterprise infrastructure in particular, London South Bank University will begin to fall behind in the eyes of prospective students, and this will be reflected in declining recruitment. The NPV calculation has assumed that this reputational damage will result in a 0.5% decline in student recruitment every year cumulatively for 15 years, half the upside increment in student numbers in the preferred case. The consequence is an NPV contribution of £(8.5m).
- 4.11. Declining recruitment represents a negative impact on income (rather than an expense). In consequence, income and expenditure do not offset each other (as in the preferred case) but sum to a total NPV of £(9.9m). The substantial asymmetry in total NPV between the base case and the preferred case is largely a result of the build cost of the Enterprise Centre.
- 4.12. The overall NPV analysis for the base case is summarised in the table below:

<b>Project Element</b>	<b>NPV</b>
Income	
Declining recruitment	£ (8.5m)
Expenditure	
On-going maintenance and security costs	£ (1.4m)
<b>Overall NPV</b>	<b>£ (9.9m)<sup>2</sup></b>

<sup>2</sup> Totals may not sum due to rounding.

### **Sensitivity Analysis**

- 4.13. A sensitivity analysis has been performed to determine the robustness of the model to the key assumptions. It is clear, however, that the case for the project depends overwhelmingly on the assumptions made about student recruitment in both the preferred case and the base case. The sensitivity analysis has therefore focused on this. Other assumptions are either much more accurately known (e.g. project costs, direct income), otherwise relatively much less significant or both.
- 4.14. Reflecting the uncertainty in the assumptions made regarding student recruitment, the sensitivity analysis assessed the impact on the preferred case of halving the assumed growth rate from 1% pa to 0.5%, and of doubling it to 2%. In the base case, sensitivity analysis assessed the impact of assuming no decrement in student numbers and a doubling and quadrupling of the decline (to 1% and 2% pa respectively). Further, the analysis tested what growth rate was required for the

preferred case to break-even (NPV=0) in Year 15 and, for the base case, showed the NPV if there was no net decline in student numbers.

4.15. The results of the sensitivity analysis are set out in the following table.

Sensitivity option	Absolute incremental student numbers <sup>3</sup>		NPV
	Year 1	Year 15	
<b>Preferred Case</b>			
0.5% incremental recruitment per year	18	277	<b>£ (5.0m)</b>
0.8% incremental recruitment per year	28	453	<b>£ 0m</b>
1% incremental recruitment per year	36	574	<b>£ 3.9m</b>
2% incremental recruitment per year	71	1,233	<b>£ 22.8m</b>
<b>Base Case</b>			
0% decremental recruitment per year	0	0	<b>£ (1.4m)</b>
0.5% decremental recruitment per year	-18	-277	<b>£ (9.9m)</b>
1% decremental recruitment per year	-36	-574	<b>£ (18.8m)</b>
2% decremental recruitment per year	-71	-1,233	<b>£ (37.7m)</b>

<sup>3</sup> The basis for comparison is the current recruitment numbers across domestic undergraduate, post-graduate and international recruits.

4.16. Assuming the most likely scenario (1% per annum growth in recruitment), the preferred case breaks even (NPV=0) in Year 13.

### **Impairment Review**

4.17. The Capital cost of the planned development, at the updated OBC stage was circa £13.5m. In addition, the University has previously undertaken stabilisation works of £2.9m to the listed terraces at St George's Circus. This has already been capitalised. The intention for this £2.9M is to be potentially written off as an exceptional item in 2011/12. Following completion of this project, the total capitalised value of the Enterprise Centre held on the University's balance sheet will therefore be £16.4m.

4.18. The valuation of the Enterprise Centre is important in determining what value the University should carry for the asset on its balance sheet. Since the University does not intend to sell the buildings, their market value is both unknown and irrelevant. Moreover, since the main purpose of the Enterprise Centre is not

(directly) to generate revenue flows, estimates of value based on cashflow cannot be made.

4.19. The University has therefore undertaken an impairment review to ensure that the Enterprise Centre is recorded as a fixed asset in the organisation's financial statements at no more than its appropriate.

4.20. The relevant accounting guidelines are set out in FRS11, which deals with the impairment of fixed assets. Paragraph 20 of FRS11 states:

*“If a fixed asset is not held for the purpose of generating cash flows, for example certain fixed assets held for charitable purposes, it is not appropriate to measure the asset at an amount based on expected future cash flows. In such cases it may not be appropriate to write down the fixed asset to its recoverable amount – an alternative measure of its service potential may be more relevant.”*

4.21. The service criteria used to inform the impairment review are set out in Paragraph 3.33, above, and on the basis of these service criteria, it has been determined that it is not necessary to write down the value of the assets in the University Balance sheet.

4.22. The value of the Enterprise Centre on the University's Balance Sheet will need to be periodically reviewed. In future, as now, it will be the service that the Centre will deliver and not cashflows that will be used to assess whether impairment has occurred. Provided the building continues to meet the agreed service criteria, no impairment will be required.

4.23. Future assurance on the achievement of the service criteria will be provided through the commissioning of LSBU Internal Audit studies as part of Post Implementation Review activity (see Section 7 – The Management Case).

## **5. FINANCIAL CASE – AFFORDABILITY AND VALUE FOR MONEY**

### **Budget and funding**

5.1. The overall capital cost was forecast in the updated OBC to be £13,512,600 inclusive of VAT but exclusive of LSBU internal staff and whole life maintenance costs. The proposed funding now required is £13,030,790. This represents a reduction to the initial Outline Business Case approval level of £481,810

5.2. Further details and breakdown are set out in the latest Cost Plan Report submitted to the Project Board. A summary of the latest position is set out below:

Budget Head	Breakdown	OBC Approved Budget (£)	FBC Budget for approval (£)	Variance (£)	Notes
<b>Fees</b>					
	Main Design Team Fees	942,888	942,888	0	Static
	Other Design / Consultants Fees	140,200	140,200	0	Static
	Town Planning Fees	85,800	85,800	0	Static
	Third Party Fees	5,000	5,000	0	Static
	Legal Fees	38,000	38,000	0	Static
	Miscellaneous Fees & Expenses	35,000	35,000	0	Static
	Surveys and Investigations	55,000	55,000	0	Static
<b>Sub Total</b>		1,301,888	1,301,888	0	Static
<b>Construction Cost of Works</b>	Includes construction contingency	7,600,000	7,214,184	385,816	Saving
<b>LSBU Costs</b>				0	
	Internal costs (LSBU enabling works)	100,000	100,000	0	Static
	FF&E	350,000	350,000	0	Static
	AV/IT	300,000	300,000	0	Static
	Method of working in Pub	0	120,000	-120,000	Resolution of working method
	Works as a result of stolen roof leadwork	0	160,000	-160,000	Additional work since OBC
	Planning requirements re BREEAM	0	50,000	-50,000	New requirement by Southwark
	Additional specialist FF&E (i.e. catering)	0	100,000	-100,000	Specialist fixed equipment
	Client Contingency	205,189	1,000,000	-794,811	Reflects further unforeseen risks following opening up and intrusive works within the building structure.
	VAT (@20%)	1,971,415	2,139,214	-167,799	Pro-rata increase
	Section 106 Contributions	0	195,503	-195,503	Local Authority requirement
<b>Sub Total</b>		11,828,492	13,030,790	-1,202,298	
	Planning Contingency	1,004,108	0	1,004,108	
<b>Sub Total</b>		12,832,600	13,030,790	-198,190	
	Budget for Public Realm Works associated with Enterprise Centre	680,000	0	680,000	Included in Cost of Works
<b>Total</b>		<b>13,512,600</b>	<b>13,030,790</b>	<b>481,810</b>	<b>Potential rebate to LSBU</b>
<b>APPROVED LIMIT</b>		<b>13,512,600</b>			

5.3. The financial headlines at this stage include:

- The design has been developed to meet the original brief.
- The design has been further developed to accommodate specific end user requirements following design review and consultation meetings with stakeholders.
- The Project remains within its OBC estimated budget envelope of £13,512,600.
- The budget continues to maintain £1,000,000 as a client held risk/contingency allowance to reflect the uncertainty of further unforeseen risks following opening up and instructive works within the building structure. This is particularly relevant to the former Duke of Clarence Public House where permanent stabilisation works have not previously been undertaken. This contingency will not be released to the Project without formal variation control, and where necessary (outside of delegated limits), formal Project Board approval.
- The tendered construction costs includes a construction contingency of £200,000 as a provisional sum that will be managed through the formal change control process.

- 5.4. All of LSBU costs, specifically for FF&E and AV/IT, are budget costs and will be formally managed through formal instruction from the Project Sponsor and, where necessary, the Project Board with reporting and control through the Project Manager and LSBU Cost consultant. The delivery of these items forms part of the into service programme, and costs have been developed with prior experience and internal subject matter experts (ICT, facilities etc.).

### **Value for Money**

- 5.5. The Project Manager and full design team have exposed the emerging design to a series of value engineering workshops that have sought and been able to identify cost savings that are now reflected in the design and specification of materials.
- 5.6. It is difficult to benchmark a scheme of this nature given it's predominantly refurbishment and the Grade II listed status. The Cost Consultant has, however, been able to undertake a limited benchmarking exercise to consider the rate per m<sup>2</sup> across a number of build programmes.
- 5.7. The revised tender sum as submitted by Neilcott at £7,214,184 equates to £1,804/m<sup>2</sup>, notionally this is split as £2,775/m<sup>2</sup> against the new build elements and £1,570/m<sup>2</sup> for the refurbishment. From the Cost Consultant database benchmarking rates for schemes similar in nature and scope build costs range from £2,100 – £2,900/m<sup>2</sup> for new build and £1,350 - £2,250/m<sup>2</sup> for refurbishment whereby the refurbishment is defined as full internal remodelling. Therefore from this benchmark data a cost range for the Enterprise Centre scheme would be between £6m to £9.5m. The Enterprise Centre scheme costs sit in the lower half of the benchmarking range.
- 5.8. The Cost Consultant has also considered data published by the Skills Funding Agency (which relates to the FE rather than HE sector) which suggests a typical cost model for a scheme of this nature in terms of the new build and refurbishment mix would generate a comparable cost of circa £9.2m.

### **The preferred tender**

- 5.9. Full details are set out in the Tender Report dated 13<sup>th</sup> April 2012. The lowest tender (from Neilcott Construction) has a contract sum of £7,214,184.27 excluding VAT.
- 5.10. The preferred tender:
- Meets the anticipated build programme of 42 weeks
  - Sits within the pre tender envelope
  - Scored most favourably on proposed methodology and proposed site management team.



## **6. COMMERCIAL CASE – PROCUREMENT**

### **Procurement Strategy**

- 6.1. The procurement of the professional team, including all project management and design team members, was made with full recognition of LSBU and OJEU compliant procurement procedures.
- 6.2. The construction procurement and contract strategy have been discussed by the Project Team and a final recommendation was discussed and agreed with the Project Board and Property Committee in July 2011. The agreed strategy has been to pursue a single stage Traditional procurement under an industry standard JCT form of contract. The key advantage is Value for Money associated with retention of control over the design to accommodate the Listed Building constraints and the associated risk of discovery within the existing buildings. Extensive surveys and investigations have been undertaken and the risk is further mitigated by retention of significant contingency and risk allowances within the project budget.

### **Risk allocation and transfer**

- 6.3. No variation to the agreed and tendered scope of works will be authorised (outside of Project Team delegations for day to day contract management) without all of the following controls having been implemented.
  - Full documented request for variation with full cost, time and functional implications clearly set out.
  - Confirmation from the Project Manager, design team and cost consultant that the variation is an extra and not in the agreed scope.
  - Full account of the implications and affordability of the variation.
  - Clear approvals within the governance chain and delegated authorities.
- 6.4. The Project Manager will continue to update and control the master risk register for the purposes of Project Board reporting and escalation of key risk reporting to the LSBU Property Committee and LSBU Board.
- 6.5. The team considered the inherent risks associated with the delivery of the new Enterprise Centre and a separate risk register has been compiled.

### **Current design status**

- 6.6. The design reached RIBA Stage E (Detailed Design) with the publication of the Stage E report on the 29<sup>th</sup> November 2011. This represents the agreed design and forms the basis of the specification that was used to inform the Tender process.
- 6.7. The Stage E process led seamlessly into the Production Information stage which enabled tenders to be sought for the project.

### **Planning application Status**

- 6.8. Informal meetings and consultations took place with Southwark planning officers and subsequent meetings with the Georgian Group and English Heritage took place prior to the formal Pre-application meeting held with Southwark on the 12<sup>th</sup> August 2011.
- 6.9. The impact of the building, in terms of its appearance, influence and impression within its listed status and the adjacent environment has been the subject of much discussion with the Local Planning Authority and external stakeholders. More adventurous design solutions have been discussed and debated but the current design and appearance, as set out in the Planning Application, was the optimum solution that satisfied all parties.
- 6.10. The formal Planning Application was subsequently submitted on the 25<sup>th</sup> October 2011 and a favourable determination was received on the 30<sup>th</sup> March 2012.
- 6.11. Planning approval was granted subject to a number of standard conditions. The key conditions to be managed by the LSBU Estates and Facilities team include:
- Further detail on a number of design elements including external finishes
  - Written Scheme of Investigation for archaeological remains
  - An acoustic report on likely plant noise
  - Cycle storage details
  - Refuse storage arrangements
  - External lighting and security details
  - Production of a travel plan and environmental management plan

### **Sourcing options**

- 6.12. The construction procurement and contract strategy have been discussed by the Project Team and a final recommendation was published for discussion and agreement by the Project Board prior to final approval by the Property Committee on the 4<sup>th</sup> July 2011. The recommendation was to pursue a traditional (i.e. fully designed) solution prior to inviting tenders for the build phase.
- 6.13. The tender process to secure open market competition for the construction element of the works has been undertaken in full compliance of LSBU corporate procurement and Estates and Facilities standing instructions and in full compliance with the Official Journal of European Union opportunities (OJEU) requirements and regulations.

**Payment mechanisms**

6.14. The proposed payment mechanism will be linked to performance. Stage payments will only be made to contract against a pre agreed cashflow forecast, achievement of key milestones and quality thresholds and an agreed construction programme.

**Contract length**

6.15. The proposed construction contract is planned to commence on site (inclusive of mobilisation period) on the 6<sup>th</sup> June 2012 and conclude with completion of migration in June 2013.

**7. MANAGEMENT CASE - DELIVERABILITY**

**Stakeholders**

7.1. The main stakeholder groups include:

- PVC External representation (as Project Owner and Executive Sponsor)
- Senior representatives of Estates & Facilities (Project Delivery)
- Senior representative of Enterprise
- Senior representatives of LSBU Finance and Procurement
- The Local Planning Authority

**Project roles**

7.2. The Project is subject to standard LSBU governance and sponsorship protocols. The Project is commissioned by the LSBU Board through the Property Committee with day to day delivery, accountability and responsibility vested in the Project Sponsor who is supported by the Student Centre Project Board. Terms of reference for the Project Board are agreed and available. The key roles within the current Project Board are fulfilled by:

<b>Role</b>	<b>Name</b>	<b>Post</b>
Project Sponsor	Beverley Jullien	PVC External
Project Board Chair	Stephen Wells	Director of Estates & Facilities (Capital project delivery)
Project Board member	Tim Gebbels	Director of Enterprise
Project Board member	Richard Flatman	Director of Finance
Project Board member	Roger Tuke	Head of Development (Estates & Facilities)
Project Board member	Penelope Green	Head of Procurement (Finance Department)
Project Board member	Gareth Hughes	Project Manager (Gardiner & Theobald LLP)

Role	Name	Post
Other attendees as invited		

- 7.3. The Project Board is empowered to deliver the Enterprise Centre project within the agreed budget, timeframe and within the agreed scope of work. Any deviation outside of these constraints will be agreed and authorised by the LSBU Board through the Property Committee. The Project Board meets monthly and reports on a quarterly basis to the Property Committee (or more frequently by exception).
- 7.4. The project delivery team is under the full control of the commercial project manager (Gareth Hughes of Gardiner & Theobald LLP) reporting to Roger Tuke (Head of Development and the nominated informed Client Representative).
- 7.5. Full design team details are set out in the latest iteration of the Gardiner & Theobald LLP Project Execution Plan.
- 7.6. To implement the project, an integrated multi-disciplinary external Consultant Design Team has been appointed comprising Project Manager, Architect, Cost Manager, Structural Engineer and M&E Services Engineer.
- 7.7. These appointments are supplemented by other professional service providers and, in turn, the main contractor to undertake the construction works.

### **Project plan**

- 7.8. For the current project programme see Project Programme 27575/EC/05 dated 13th January 2012 as prepared by Gardiner & Theobald LLP.
- 7.9. The forecast completion date of construction works is in April 2013.
- 7.10. Summary of key milestones;

Milestone / Deliverable	Original OBC Date	Actual	Current Forecast	Notes
Establishment of Design Team	February 2011	February 2011		
RIBA stage C Report	15 <sup>th</sup> April 2011	27 <sup>th</sup> May 2011		
RIBA stage D Report	30 <sup>th</sup> June 2011	8 <sup>th</sup> August 2011		
Agree Procurement strategy	Not identified	4 <sup>th</sup> July 2011		
OJEU notice	July 2011	26 <sup>th</sup> August 2011		
Planning Consent Application	1 <sup>st</sup> July 2011	25 <sup>th</sup> October 2011		Application deferred to align with Stage D design certainty. Not on critical path
RIBA Stage E Report and LSBU approval	Not identified	29 <sup>th</sup> November 2011		
Planning Consent	Not identified	30 <sup>th</sup> March 2012		
Property Committee initial sign off of initial FBC information (i.e. NPV etc)	Not identified	27 <sup>th</sup> February 2012		

Milestone / Deliverable	Original OBC Date	Actual	Current Forecast	Notes
FBC Completed and signed off by Project Sponsor and Project Board.	16 <sup>th</sup> March 2012.		13 <sup>th</sup> April 2012	
Tender Action	16 <sup>th</sup> January 2012	5 <sup>th</sup> March 2012		
Executive sign off of FBC.	Not identified		17 <sup>th</sup> April 2012	
Property Committee approval of FBC	Not identified		25 <sup>th</sup> April 2012	
Board of Governors approval of FBC and construction contract award.	Not identified		24 <sup>th</sup> May 2012.	
Appointment of Works Contractor	Not identified		24 <sup>th</sup> May 2012	
Construction start on site (including mobilisation)	12 <sup>th</sup> April 2012.		6 <sup>th</sup> June 2012.	
Construction works complete (PC)	Not identified		26 <sup>th</sup> April 2013.	
Completion for occupation	1 <sup>st</sup> February 2013		6 <sup>th</sup> June 2013	
Building Opens	5 <sup>th</sup> April 2013		7 <sup>th</sup> June 2013	

### **Contract management**

7.11. The construction contract will be managed by the LSBU appointed Project Manager working with the LSBU appointed Cost Consultant to provide a comprehensive contact administration function working with and for the nominated LSBU Client representative.

7.12. Regular monthly project team meetings will review:

- Progress against programme
- Spend against budget
- Variance against scope
- All risks and issues
- Known and forecast variance

7.13. Monthly progress reports will be generated together with dashboard style reports with key headlines and issues for escalation to the Project Board, LSBU Property Committee and the LSBU Board (as necessary).

### **Risk management strategy**

7.14. Risk Management is an integral component of the project delivery. The project specific Risk Register is maintained by the Project Manager with input from all parties and status reported at all Project Board meetings.

7.15. Risk workshops with all supply chain members and key LSBU (and any external) stakeholders will continue to be held and a monthly updated risk register will be prepared and circulated with risk owners and risk mitigation actions. Key risk issues will be escalated through the governance arrangements to the Project Board, LSBU Property Committee and the LSBU Board.

- 7.16. The Risk Register is reviewed and updated on a regular basis and all parties attend and contribute at the relevant meetings.
- 7.17. The risk register is regularly reviewed at the Enterprise Centre Project Board meetings.
- 7.18. The Risk Register indicates the risk owners, who are required to undertake and/or suggest mitigation measures as appropriate to reduce the level of risk.
- 7.19. For the current comprehensive Risk Register see Project Risk Register Revision 5 as prepared by Gardiner & Theobald LLP.
- 7.20. There are currently 42 risks on the risk register with 30 risks (72%) being rated as being of low or medium risk and 12 risks (28%) in the high risk category. All high risks are set out below:

REF	DESCRIPTION	CATEGORY	PROB (1-3)	IMPACT (1-3)	Score	Rating	OWNER	MITIGATION STRATEGY
1.1	Post consent Client changes / late changes / scope changes.	Client	2	3	6	High	LSBU / G&T	Client to understand programme and stakeholder requirements
1.2	Delay in client signing off the business case to enable a contractor to be appointed.	Client	2	3	6	High	LSBU / G&T	EAF and G&T to work together to produce a full business case to present to the Property Committee
1.6	Funding of scheme	Client	2	3	6	High	LSBU	Design to be taken forward through each stage strictly within budget
2.9	Southwark limit development of the adjacent site following the creation of a pocket park	Planning	2	3	6	High	LSBU / DPs	Red line to only be drawn around the minimum area required for development and a box is to be shown where student union is currently
3.1	Failure to align budget and design due to client change - client changes in requirements may result in redesign and delay	Design	2	3	6	High	RSS / CS	Regular review of design and cost with client and stakeholders
4.1	Post recommendation brief changes and scope creep which changes design leading to additional cost.	Cost	2	3	6	High	LSBU / RSS / CS	Robust monitoring of cost through design process
4.4	Change control leads to the project budget being exceeded possible causes inc incomplete design	Cost	2	3	6	High	All	Carry out cost checks throughout the project
6.1	Utility connections to supply new facility in particular the ability to connect onto the existing transformer which was built by LSBU in 2006.	Site Issues	2	3	6	High	MF	MF to liaise with UK Power to ensure that the 400A electricity can be supplied from the existing transformer and to check that a new transformer will not be required.
6.3	Contaminants found in the ground that cause delays	Site Issues	2	3	6	High	CB / G&T	Survey work undertaken onsite during design period. Site discovery will remain a
7.5	Contractor to fully witness and de-snag before offering as complete.	Construction	2	3	6	High	Contractor	Programming of project completion
8.2	Effective handover to LSBU staff when operational	Commissioning	2	3	6	High	LSBU	Connections to be made with relevant people and early interaction
9.2	Operational conversion of staff and users to the new facilities	Operation	2	3	6	High	LSBU	Connections to be made with relevant people and early interaction

7.21. LSBU has commissioned a historic environment assessment (buried assets / archaeology) in advance of proposed development at 113–119 Borough Road, 123–131 London Road and the former Duke of Clarence public house. Heritage assets that may be affected by the proposals comprise:

- The St George's Conservation Area, of high significance
- Truncated remains of 18th–19th century outbuildings associated with the Grade II Listed buildings, of low significance.

The archaeological monitoring of geotechnical pits dug for engineering purposes within the site was undertaken in June 2011. The local planning authority's archaeological officer requires an archaeological watching brief prior to and during construction in order to mitigate any impacts upon archaeological remains, to ensure that any heritage assets of significance are not removed without record.

Such work will be carried out in accordance with a Written Scheme of Investigation under the terms of a standard planning condition.

- 7.22. The risk of discovery sits with LSBU, and corporate procurement are seeking quotes to insure against the cost implications of discovery. Therefore it is proposed that if adequate insurance can be obtained, this will be arranged prior to commencement on site, if no facilities are offered then the project will proceed on the basis that the current consultant and site investigation advice is low risk, but the situation will be carefully monitored. Any purchase of insurance premiums, if available will be funded from a draw down from project contingencies.

#### **Benefits realisation plan**

- 7.23. The Project Board will continue to monitor all anticipated benefits and continue to seek to identify additional benefits.
- 7.24. Any issues that arise that may undermine the achievement of anticipated benefits will be reported to the LSBU Property Committee and the LSBU Board.

#### **Post Implementation Review and Gateway / Milestone Reviews**

- 7.25. It is planned to undertake a Post Implementation Review at project close to report on how well the project was managed and to assess to level to which the achievement of benefits have been realised. This Review will have two components.
- 7.26. The first will be a Post Project Review undertaken by an independent professional adviser to review all elements of the construction process from the briefing stage, through the design, procurement and construction stages and on to the project closure and final account stages. This will assess the robustness of the processes used, the capability and effectiveness of the project delivery team, governance and project controls and will identify any lessons that can be learned for future projects.
- 7.27. The second component will be the formal monitoring of the effectiveness of the Enterprise activity through on-going business review by the Director of Enterprise and through the commissioning of formal LSBU Internal Audit scrutiny of the Enterprise Strategy.
- 7.28. It is expected that the formal Post Implementation studies will commence some six months into full live operations.
- 7.29. The Project Board, LSBU Property Committee or the LSBU Board may wish to consider the commissioning of a Gateway Review (independent assurance) during the course of the construction works.



**Into Service and Indicative Activity Plan**

- 7.30. In order to bridge the completion of the build phase and the move into operational delivery, an effective “into service” plan is being developed. This will identify initial activity to prepare the new asset for occupation (including communications and marketing, ICT, training, resourcing of all support functions, lease and licence agreements and relocation of activities) and effective maintenance (hard and soft facilities management) of the building.
- 7.31. The Director of Enterprise will be the key party who will accept the finished building project from LSBU Estates and Facilities and will be responsible for implementing the Into Service plan to create a fully operational asset and associated enterprise service within a prescribed timeframe. The Director of Enterprise has prepared an indicative Activity Plan for the first year of operation to demonstrate the range and scope of activity that is being planned. This has been designed to maximise the opportunities afforded by the new facilities from the outset and to make a significant contribution to the achievement of all benefits and outcomes expected from this investment.

Appendix A – Proposed Ground and First Floor Plans

Ground Floor Layout





**Appendix B – History of the site**

The site is within the St. Georges' Conservation Area and the buildings, dating from 1820-28, are all Grade 2 listed.

The University acquired the Terraces site freehold in 1997 from Bridge House Estates (Corporation of London) with many buildings unused and in extremely poor condition. These buildings had previously been considered for listing, at least in 1995 and 1998, but on both occasions refused. English Heritage (and others) had also been requesting that Southwark form a St George's Circus Conservation Area from at least 1996. LSBU took forward a major redevelopment scheme for a new build for both University and community use, necessitating demolition of all buildings on the site and consulted publicly on it in early 2000. Both local and Heritage bodies opposition was so strong against the scheme that it was never submitted for formal planning consent.

Opposition to the proposed development scheme together with proposed demolition of the Georgian properties also resulted in the Terraces then being listed in June 2000. Southwark subsequently went on to establish the St. George's Circus Conservation Area in October 2000. The University's reputation was then poor with both local residents, traders, Heritage bodies (English Heritage, The Georgian Group and others) and to a large extent even with the Council.

The University undertook stabilisation works in 2006/7 to make the Terraces (but not the Duke of Clarence Public House) structurally safe and keep them watertight. This assisted in commencement of re-establishing working relationships with at least the Heritage bodies and the Council. These buildings, however, remain on English Heritage's Heritage at Risk register and were previously on their Buildings at Risk scheme for listed structures. Pressure has always been for the University to refurbish these buildings to put them back into a long term sustainable use.

Through the extensive consultation it has undertaken on the current proposal to bring these historic buildings back into use, The University has been able to re-establish sound working relationships with all of the key Heritage bodies and with the Council. Any mistrust that remained towards the University in the local community also appears largely to have subsided following the consultation process.

In the absence of a credible plan (i.e. if the proposal in this FBC is rejected), LSBU would carry the risk of the Council serving a Section 54 Notice to carry out urgent specified repairs to protect the building(s) at LSBU's cost. A more serious Section 47/48 Notice could also be served (to carry out longer term repairs) and failure to comply can lead to Compulsory Purchase.