



South Kesteven District Council

Business Case

St Peter's Hill

Draft for Member Approval

October 2017

Prepared by

Neil Cucksey

Sam Pearson

David Blanchard

Document Control

Authorisation		
Name		Steve Ingram
Name		Tracey Blackwell
Position		Strategic Director
Date		September 2017
Distribution		
Name		Organisation
Cllr Jacky Smith		South Kesteven District Council
Neil Cucksey		South Kesteven District Council
Richard Wyles		South Kesteven District Council
Sam Pearson		South Kesteven District Council
Lucy Youles		South Kesteven District Council
Fiona Truman		South Kesteven District Council
Paul Thomas		South Kesteven District Council
David Blanchard		South Kesteven District Council
Version History		
Version	Date	Description of Change
3	1 st June 2017	Insert of appendices
4	6 th June 2017	Further revision
5	8 th June 2017	Further revision
6	8 th September 2017	Further Revision and Update
7	28 th September 2017	Further revision to incorporate comments from officer meeting

Contents

1	Executive Summary	1
2	Background	2
3	Where We Are Now	8
4	Anticipated Outcomes	9
5	Resource Requirement.....	10
6	Alternative Analysis	12
7	Benefits	12
8	Next Steps.....	13
9	Major Project Milestones	14
10	Constraints & Risks	15
11	Assumptions.....	15
12	Conclusion.....	15
13	Reference Documents	16
14	Appendix 1 – Phase 1 Development Plan (Not to Scale)	1
15	Appendix 2 – SCAPE Process Map	1

1 Executive Summary

The purpose of the cinema development at St Peters Hill is to create a new leisure destination, promote market town regeneration and to act as a catalyst to attract significant inward investment to the area. Specifically, the development will add to the local leisure offer and act as an attractor destination for Grantham's town centre. All of which will directly contribute to increased economic activity within the town and help to generate considerable associated secondary benefits to other businesses within the town centre and the wider area.

This project is the first phase in delivering a high quality "cultural quarter" laying the foundations for Grantham's enduring success and helping to promote Grantham as a premier sub-regional centre.

Whilst on completion and occupation of both cinema and A3 units a commercially acceptable investment would be created for the council, it is considered that this would not be something that the private sector would be prepared to deliver as the overall returns would not be what is expected from a modern commercial development.

There is likely to be significant social and economic benefits to be achieved by the delivery of the Project. Therefore, because the initial financial return is anticipated to be below commercially acceptable values, it is proposed that this scheme would be best delivered by the District Council, as land owner, by procuring the project with a building contractor as opposed to a commercial development partner, having secured an anchor end user in the cinema operator.

The specific objectives of the development are to:

- Help to make Grantham more vibrant and increase footfall to the town centre
- Provide a viable, contemporary, multi screen cinema complex.
- Support and enable the development of a diverse daytime and evening economy through the creation of associated new A3 restaurant space and other complimentary uses.
- Improve the attractiveness of the public realm both in, leading to and around the scheme.
- Improve pedestrian access and connectivity to the wider town centre and to fundamentally extend the 'dwell time' of visitors.
- Act and attract as a stimulus and a destination for further investment in the town centre.
- Create opportunity for new office space in order to support the growth of the town centre business offer.

There is a strong economic case for investment in Grantham town centre by the Council to make it more attractive to visitors, emerging interest from retail developments on the outskirts of the town make the business case even more compelling. The St Peter's Hill site presents the most logical, attractive and deliverable location for this new venue to be created in the town centre as it uses land already owned by the Council and is in the vicinity of the Guildhall Arts Centre, Museum and close to retail outlets in the town centre and the largest car park with 328 spaces.

The scope of the project includes construction of 5 new cinema screens, demolition and site clearance of the existing 2 screen cinema and construction of A3 space at ground floor level attached to the new cinema. The first floor will be approximately 9000 sq ft of flexible space for other leisure, A3 or Office use to meet the demands of the market and help to deliver the wider objectives of the project. Landscaping and public realm works will be carried out adjacent to the new building.

There is connectivity between this project and the developing initiatives to improve the Council offices and there is potential for further restaurant space in the Council offices to further support the development in the future.

The Council has reached agreement “subject to contract” with a Cinema operator to take on a 25 year lease. The operators have also negotiated an option to purchase a long lease. This provides a strong foundation for the development of the leisure scheme overall as the cinema operator will act as the anchor tenant on a pre let basis.

The financial projections calculate that the Council will generate a positive return on its most recent estimated investment requirement of circa £5.7m with the net ROI to be circa 5% dependent upon the length of time the A3 and first floor space remains vacant and the rents that are achieved. The rate of return currently achieved by the Council’s capital investments is 0.82%.

This strategic business case is primarily based on the development acting as a catalyst for growth and improvement of the town centre and secondly providing a financial return to the Council. The revised timetable for Phase 1 of the project is for the main site construction work being commenced in Q1/2 of 2018 with an anticipated completion by Quarter 4 of 2018/ Quarter 1 of 2019. The Council has displayed public signage on site to promote and advertise the development raising public expectations for the cinema complex to be delivered.

The business case for this project has been developed over a number of years and it is an iterative process where the project has progressed from the strategic outline case to this outline business case, which will be developed into a final business case when the project is fully costed and occupiers secured.

2 Background

The Strategic Case

The Council’s Corporate Plan has clear priorities which aim to demonstrate that South Kesteven is creating the right environment for housing and business growth and places that people want to live, work and invest in.

The new improved cinema offer, public realm improvements and complementary restaurants will create a new visitor destination with adjacent car park and help to revitalise the Grantham town centre. There will also be an opportunity to introduce other complimentary users on the first floor.

A CACI retail footprint study was commissioned, which identified that Grantham achieves just a 13.4% market share of shopper population, with 10.6% choosing to travel to Newark and 8.75% to Nottingham. Emerging developments on the outskirts of Grantham will put more pressure on Grantham town centre.

There will be a significant increase in new homes built around Grantham over the next few years which will substantially increase the local population. The emerging Local Plan incorporates the continued allocation of the Garden Village (with 3,700 new homes) and the North West Quadrant (with 3,200 new homes). There are further, smaller, sites also identified as locations for potential growth. In addition, the Prince William of Gloucester barracks has been signalled for release by the Ministry of Defence which could add similar levels of housing growth to those in the draft Local Plan.

The new cinema, with its 5 screens, will aim to have a catchment area of up to 30 minutes' drive time; this provides a catchment population of 250,000, which is a substantial uplift from the existing 15 minute catchment area of the existing 2 screens, with 62,000 population. The cinema operator has forecast 220,000 visitors per annum to the new cinema. Currently the 2 screen cinema has circa 60,000 visitors.

The strategic case for investment by the Council in this development site is in line with its Corporate Plan 2016-20 and two of the Priorities identified through the public consultation:

- Growing the Economy
- Promoting Leisure, Arts and Culture

The business case is made stronger by the well known future housing development pressures on Grantham previously mentioned.

Developing and delivering the project successfully and expediently will demonstrate to other business operators that SKDC is open for business and this will help to generate future interest in the town centre from other interested parties.

In early 2017 the Council commissioned a report from an external independent consultant, Thirldlife economics, to ensure that the business case for the provision of a new Cinema complex, A3 and office space was still relevant and remained strong. The consultant concluded in their report dated July 2017 that the case for proceeding with the development/ investment is strong on the grounds of improving the current offer in the town centre; and as an affordable financial option with some prospects of a modest return and on profile and risk grounds. The upgrade and improvement in the cinema offer is part of a strategic approach to enhance the "cultural quarter", Increasing footfall and richness of visitor experience in the town.

Economic Case

The Chartered Institute of Public Finance and Accountability were commissioned to produce an economic business case in January 2016 and the findings of the report were that the development shows a reasonable return for investment and benefits to the local economy. The Cinema development is expected to create an additional 20 jobs and the retail units in the region of 30 jobs, the business rates generated from this site are expected to increase to a Rateable Value (RV) of circa £70k for the cinema and RVs totalling circa £80k from the two A3 Units and £60k from the first floor generating approximately £105k per annum in rates payable from the site when the units are fully occupied by business rate payers.

The submission by the preferred operator estimates that footfall for cinema visits will increase by up to 300% in comparison with the known level of attendance at the existing cinema outlet. The additional trips generated from an increased catchment area will add to the footfall in and around the town centre creating trading benefits to retail/leisure outlets outside of the development site.

At the inception phase of the leisure project a long list of options were considered on how the Council could optimise value from its investment. An options appraisal was undertaken to identify a suitable site for the proposed leisure development. A number of potential locations around the town centre were considered these included the following sites:

- St Peter's Hill site (any combination of the on-site offices, car park, existing cinema, and senior citizens club site)
- Conduit Lane Car Park
- George Centre
- Greyfriars (as defined by SKDC's Development Brief)
- King31 Development, Spitalgate Level
- Post Office Site, St Peter's Hill
- Station Quarter (as defined by SKDC's Development Brief)
- Swingbridge Road site; and
- Watergate car park

Each site was assessed on a range of criteria including:

- Baseline physical characteristics, including area, accessibility, site context and existing uses;
- Constraints, including both observable constraints and planning designations;
- Comparative suitability for other uses (the less competing uses, the better the site performs);
- Deliverability, including an assessment of whether the site would be deliverable in 36 months from the time of writing; and
- Deliverability from a planning suitability perspective

The St Peter's Hill site was assessed as the most suitable potential location given the potential compatibility with the adjacent leisure uses and deliverability (Full report attached as an Exempt Appendix A).

Commercial Case

The Council has actively marketed the development site through its specialist agents, Lambert Smith Hampton to help identify occupiers and also the preferred delivery option for the project. The Council reviewed and explored opportunities to work with the existing cinema operator as well as requesting expressions of interest from competing operators.

The existing 2 screen cinema has approximately 60,000 attendances per annum. The cinema is constrained in offering latest releases and other ancillary entertainment such as live broadcasts due to only having 2 screens. The Council worked with the incumbent cinema provider (Reel Cinema Limited) and proposed a scheme to enhance and develop the existing offer by adding 4 screens to the existing 2 screen cinema, refurbish the 2 existing screens to the same standard as the new building and relocate the Grantham Senior Citizens Club (GSCC) to the rear of the existing site behind the Reel cinema building.

Despite best endeavours to secure a suitable arrangement with the incumbent cinema operator this proved not to be possible. The conclusion of those negotiations coincided with an alternative option being found for the relocation of the GSCC. The ability to obtain unfettered access to the former GSCC site created an opportunity to deliver the project objectives in a different way. The Executive considered a report (P&D 022 in May 2016) following which expressions of interest were sought from the wider cinema operator market to operate within a smaller scheme footprint.

The proposed development comprises the site on which the Grantham Senior Citizens Club (GSCC) had been located and the adjacent St Catherine's Road surface car park.

Planning permission for the original development of a restaurant, cinema and office development was granted on 12th November 2014. Non-material and material alterations to the scheme were submitted for consideration in June 2017 and approved on the 26th July 2017.

Construction –Options for Procurement

The procurement options have been considered by the project team and the Cabinet Member for Major Developments. There is an appetite from all the development parties to complete the project as soon as reasonably practicable to enable the economic benefits for Grantham to be realised and the cinema operator to get a return from their investment. The existing cinema operators have agreed to terminate their lease in May 2018.

A framework agreement will be used that has already been through the OJEU process saving approximately 4-6 months in the process. The leading Framework agreement under consideration is SCAPE and this route has successfully been used by the Council previously. Member representatives and the project team have met with SCAPE and a preferred contractor has been recommended.

The Office Re-development project and The Cinema Project have some synergy as they are being progressed at the same time and savings can be achieved by appointing the same contractor to both projects. For example savings will be achieved on staff overheads, contractor compound and welfare facilities. The preferred contractor, GF Tomlinson has been appointed to progress works to a feasibility for the potential redevelopment stage to enable a project budget to be more accurately forecast.

Financial case

In January 2016 the Chartered Institute of Public Finance and Accountability were commissioned to carry out a financial appraisal of the scheme and concluded that (without any account taken of economic benefits or business rate projections) the St Peter's Hill development was a financially viable scheme that the Council should be bringing forward. The review of the business case by Thirlife economics in July 2017 reached a similar conclusion.

The existing approved budget allocated in the agreed capital programme is £4.95m and the forecast out turn for year end 2017/18 is a total spend in the year of £286k and over the project to date. The £750k has been spent on the service diversions on site, the relocation of GSCC including construction of the new building and some asbestos removal. Design development and fees, legal agreements, survey work.

The most up to date and revised project costs projected to a Q14 17 start on site require a revision of the project budget to £5.7 million these revised capital costs 2017/18 are shown below under Capital Costs.

The two main reasons why the projected development costs have changed are as follows.

1. The change in development proposals, instead of refurbishing the existing two cinemas and building four additional screens the revised scheme is to demolish the existing cinema and build a new five screen cinema.
2. Indexation and inflationary pressures have been applied since the scheme was originally costed by Mace.

Up to date appraisals have been undertaken to suggest that a project budget of £5.7m is realistic for a deliverable and sustainable development the funding would be met from capital reserves. The high level costings and income are shown in the Capital Costs Section on pages 12 & 13 of this business case.

The contractors will be undertaking their own assessment of the development costs between October and November 2017 and these will be scrutinised by the Councils cost consultants.

The Management Case

The project programme has been reviewed and the risks log updated and appended to the business case, the choice of the SCAPE framework route for contractors will enable the project to progress in a timely manner and will also avoid tying up Council resources in following OJEU procurement process. It will be important that the Council appoints cost consultants/quantity surveyors with the necessary resources and experience to support the Council in delivering value for money.

The SCAPE framework has a Process Map (attached at Appendix 2) that identifies certain Gateway Decisions. The cinema project has advanced to between stages 2 &3 in most respects except that planning consent has been obtained for the intended scheme and a preferred cinema operator has been identified and legal representatives instructed to progress an agreement for a lease and lease.

The soft market testing for A3 units with National and regional operators has been positive to date and as soon as the main anchor tenant has been secured agents have indicated that they expect further interest in the Units. However, it is noted that nationally the A3 market has “softened” over the past 6 months and this could have an adverse impact on the initial rents that will be achieved. The Council has received interest in the first floor accommodation which if concluded is expected to bring added benefits to the scheme and the attractiveness of the A3 units to prospective tenants. There are also other potential occupiers of the first floor as there are a variety of potential uses.

A communications and stakeholder plan has been developed to accompany the business plan and project plan. This is regularly reviewed and updated throughout the project and is available upon request a risk register has also been regularly updated and is attached as an Exempt Item at Appendix 3.

Council representatives on the project team have visited various sites constructed and operated by the preferred cinema operator and seen evidence of how they have delivered on other sites, appropriate due diligence has also been undertaken.

3 Where We Are Now

A construction project has been completed to re-provide the community facility used by the GSCC, and a new lease has been granted. A range of surveys and investigations have been undertaken as part of the preparatory work required for the development site and a revised planning permission has been granted for the new 5 screen cinema scheme.

Negotiations with the Cinema operators were undertaken by commercial agents with expertise in the market and are now at an advanced stage and solicitors have been instructed based on the Heads of Terms attached as an exempt Appendix B. A draft agreement for lease and lease has been issued and a Non Key Decision made on 24th August 2017 to progress the agreement for a lease.

In summary, the Cinema operators have agreed, subject to contract, to take a 25 year lease paying a market rent (plus services charges relating to common parts and refuse management). They have also negotiated a right to purchase a long lease after the first year of occupation and within the first three years. The Council will contribute a capital sum to the internal fit out of the cinema with the cinema operator supplementing this with up to £1.0m of its own investment and work is being undertaken to agree the specification of the tenant fit out. If the option to purchase a long term leasehold within 3 years is exercised the Council will recover its construction and fit out contribution costs and a commercial rate of return. The Council has a right of pre-emption on the asset should the cinema operator wish to sell the unit in the future on an individual basis.

The cinema operator have indicated they are keen to complete the agreement for lease and commence business as soon as reasonably practicable to do so it is also in the interests of the Council to achieve an early completion of the development. The Agreement for a lease could be signed this calendar year and the parties are working towards this date. The agreement for a lease would be conditional on the construction and fit out of the cinema being to an agreed standard and other conditions in the Heads of Terms for an agreement being satisfied including a delivery programme. (The Leisure Car Park tariff being agreed and the Council will use reasonable endeavours to let the two A3 restaurant units to national or good regional branded outlets.)

On the first floor, 9200ft² of office/leisure space will be created to respond to market demands from the catalyst development of the cinema and A3 units. Interest has been shown for the first floor space created by the development proposals. It will continue to be marketed to achieve the best possible outcomes for this development.

Negotiations have been concluded with the existing cinema operator and a surrender agreement exchanged which will end the current operator's agreement in May 2018.

4 Anticipated Outcomes

St Peter's Hill Development – Anticipated outcomes

Provide a viable, contemporary multi- screen cinema complex.	The new cinema, with its 5 screens will have a catchment area of up to 30 minutes' drive time. This area includes a population of 250,000, which is a substantial uplift from the existing 15 minute catchment area of the existing 2 screens, with 62,000population. The additional trips generated from an increased catchment area will add to the footfall in and around the town centre.
Support and enable development of a diverse daytime and evening economy through the creation of associated new A3 restaurant space.	
Improve the attractiveness of the public realm both in, leading to and around the scheme.	The current site is predominantly used for car parking. This scheme will provide a high quality paving scheme and a degree of public space immediately adjacent to the restaurants.
Improve pedestrian access and connectivity to the wider town centre and to fundamentally extend the 'dwell time' of visitors.	
Act and attract as a stimulus and a destination for further investment in the town centre.	The successful establishment of the leisure scheme as a destination should provide another excellent example of Grantham's potential as a town centre location for future investors.
Create new office space in order to support the growth of the town centre business offer.	
Approximately 9,200ft ² of office/ leisure space created at first floor level which could be suitable for a variety of uses.	The Council's investment in this scheme is expected to act as a catalyst to the commercial market for additional leisure, retail and related uses in the town centre.

5 Resource Requirement

An internal project team has developed the project to date with additional input from the following external specialisms, when required:

- Architectural design
- Specialist commercial retail agent support (Letting Cinema & A3 Units)
- Legal advice
- SCAPE / Framework agreements procurement advice
- Independent Cost consultants/ QS
- Viability appraisal
- Build contractor from a framework agreement
- Lincolnshire County Council Highways
- Cinema operator delivery of fit out specifications.

The successful delivery of this project is dependent on it being effectively resourced for the construction and completion phases to maximise its opportunity to be delivered on time and to the quality required. A new project manager role has been created within the Property Development Team to provide in house support for effective delivery of the project.

Additional external capacity will be required for:

- A quality control officer during the construction phase.
- Legal support to finalise agreements for lease and lease documentation together with related legal processes.

The cost of this additional support has been built into the estimate of cost which is currently £5.7m. A detailed breakdown of the cost is contained in Appendix C. The component parts of the scheme have been costed at the end of the feasibility stage as follows:

Capital costs

Based on Mace cost consultants information April 2017 and projected to Q4 2017 start on site.

Cost Model Item	£ (Revised 2017/18)
Enabling site work	285,627
Construction, cinema A3, FF space	3,080,020 Includes prelims £1.086k
External works	446,968 as previous
Prelims, O&P, Fees, etc.	Included in construction figure
Contribution to fit out	1,350,000
Contingency/ risk provision	£524,000
Total	5,687,000

Circa £5.7m

The original allocation in the capital programme for this project was **£4.95m**. A further allocation of £750,000 will therefore be required for the proposed option to be fully implemented.

Income forecast –

Rental area summary	ft sq	Rate £/ ft sq	Rent
Cinema - net	13,584	7.50	101,880
A3 Unit	3,250	18.0	58,500
A3 Unit	3003	18.0	54,054
FF Office, Gym etc	<u>9,278</u>	9.0	<u>£83,502</u>
Totals	29,653		£297,936

ROI on cost when fully let 5.13%

Note: There is likely to be a need for rent free periods of 12-18 months required to cover fit out costs on the A3 units in order to achieve lettings at the rent stated.

Income forecast from Cinema Operator Purchase Option

SKDC Investment Circa £5.8m

Capital Payment from cinema operator

£1.32 capitalised rent after costs deducted

£1.35 Capital contribution

£2.67 total capital receipt – against cost of circa £2.35

Balance of investment

£3.13m

Income forecast from retained investment post cinema option to purchase

Rental area summary	ft sq	Rate £/ ft sq	Rent
A3 Unit	3,250	18.0	58,500
A3 Unit	3003	18.0	54,054
FF Office, Gym etc	<u>9,278</u>	9.0	<u>£83,502</u>

Totals **£196,056**

Gross yield 6.26%

No account for loss of interest on SKDC capital investment

6 Alternative Analysis

No Project (Status Quo)	Reasons For Not Selecting Alternative
Keep the site as a surface car park, and 2 screen cinema.	<p>The majority of the site is comprised of a surface car park. This is only available to the public after 6:00pm on weekdays and on Saturday and Sunday. The car park has only a very limited contribution to the economic activity of the town centre.</p> <p>The exiting 2 screen cinema has approximately 60,000 attendances per annum. The cinema is constrained in offering latest releases and other ancillary entertainment such as live broadcasts due to only having 2 screens. Currently the cinema operates with 4 full time employees and 5 part-time. The current offer does not compete well with multi-screen offers in Newark, Nottingham and Lincoln.</p>

7 Benefits

A series of performance measures will be developed to monitor performance of the contract, linked to the tracked benefits detailed below.

Benefits Table				
No	Benefit Title	Benefit Description	Benefit Type	Benefit to be tracked?
1	Increased offer and choice in Grantham	Residents choose Grantham as a destination rather than neighbouring towns. Increased number of restaurants, cafes and coffee shops	Non-Financial	Yes
2	Income generating asset creation	Income generation from cinema, restaurant and office space	Financial (cashable)	Yes
3	Community benefits created through engagement activities by Cinema Operator	Enhanced cultural offer	Non-Financial	Yes
4	Economic benefits	Every £1 spent on construction output generates £2.84 ¹ in total economic activity creating opportunities for employment and for the local supply chain.	Financial (non-cashable)	No
5	Creation of new community building	New building provides improved facilities and long	Non-Financial	No

¹ Source LEK Consulting 2010 Construction in the economy

		term lease arrangements		
6	Decreasing void rates in Grantham Town Centre	Businesses chose to operate in Grantham Increase in NDR income	Financial (cashable)	Yes
7	Job creation	During construction phase and post opening	Non-Financial	Yes
8	Benefits arising from obligations in construction contracts	Buying locally, employing locally	Financial (non-cashable)	Yes
9	Improved public realm	Improvements to the public realm space and increased attractiveness of the area	Non-Financial	No
10	Increased safety arising from restrictions bought in from the parking order	Less congestion, increased safety	Non-Financial	No
11	Increased use of car parks in comparison with 2017/2018 baseline	Better use of assets and income generation	Financial (cashable)	Yes

8 Next Steps

The Council owns the freehold of the site off St Catherine's Road. The Council is proposing to develop the site by building a 5 screen multiplex cinema, adjoining restaurants with office / leisure space and a community facility. The purpose of the development is to promote regeneration and inward investment in the area and add to the entertainment offer to boost the leisure economy.

Project Management support will be delivered in house with support from the appointed cost consultants. The contractor will be appointed via a Framework Agreement and their responsibilities will include all design coordination issues, direct liaison with identified and secured tenants, the professional team and liaison with the in house team for the A3 units over tenant fit out requirements. Internal resources will also focus on the governance, communications and legal aspect of the project.

The cinema will be provided to the tenant as a cold shell. The tenant's fit-out package will be tendered at the same time with the same contractors, the tenants will be a stakeholder in the specification/ build contract and they will provide their element of the development finance at the appropriate time.

The number of work packages is likely to be 3 as follows.

1. Cinema cold shell, A3 shell and core
2. Public realm.
3. Cinema fit out

They will need to fit with the SCAPE framework parameters.

9 Major Project Milestones

Work-stream	Indicative date
Agreement to lease agreed for new community facility with Grantham Senior Citizens Club (GSCC)	August 2016 Completed
Demolition GSCC existing building	Nov 2016 Completed
Market engagement to attract cinema operator	Oct 2016 Completed
GSCC build	May 2017 Completed
Preferred procurement method identified and approved	Completed
Procurement of Main Contractor –Project Request has been placed (No obligation) High level feasibility	September 2017
Project Order –Commit to Invest up to an Agreed cost to enable detailed design, prepare target costs, agree risk register etc,	September/ October 2017
Instruct agents to market A3 Units	October 2017
Appoint cost consultants	October 2017
Revised PID & Business Case approval	October 2017
Consented scheme build commencement for planning	November 2017
Agreement to lease agreed and exchanged for new cinema operator	November 2017
Stakeholder and 3 rd party matters reconciled	November 2017
Delivery Agreement	January 2018
Commence on building on site	March 2018
Demolish existing 2 screen cinema	May 2018
Pre lets for A3 Units and first floor	May / June /July 2018
Completion of scheme	Target date December 2018*

*Note the target date for completion of the scheme is known to be ambitious and it has not yet been assessed, priced or agreed by the contractor.

10 Constraints & Risks

Any constraints or risks that may impact on the ability of the project to deliver the recommended option with appropriate mitigating actions have been captured in a separate combined risk tracker document. This will be regularly monitored and updated by the project manager. A copy is attached at Appendix D (Exempt Document).

In summary the constraints or risks are;

- Pre start planning conditions require discharging
- Rights of access to neighbouring properties need to be maintained/ diverted
- Pre let tenants secured
- Asbestos –Known to be on site

11 Assumptions

Delivery of the consented scheme is dependent on the following assumptions.

- SKDC is the developer
- The preferred cinema operator signs an agreement for lease prior to entering into a build contract.
- Planning conditions are discharged
- Tendered costs will be in line with the cost estimates
- A3 units will be let within 12 months
- A suitable occupant will be secured for the first floor leisure/office space

12 Conclusion

In summary, the St Peter's Hill site presents an opportunity to enhance the leisure, entertainment and business offer in Grantham town centre using land already in the ownership of the District Council. The delivery is fundamentally de-risked by being on a site owned entirely by the Council and with an opportunity to pre let with an anchor tenant in the cinema operator.

Whilst on completion of both cinema and A3 units a commercially acceptable investment would be created for the Council, it is considered that this would not be something that the private sector would be prepared to deliver as the overall returns would not be what is expected from a modern commercial development. However, there is likely to be significant social and economic benefits to be achieved by the delivery of the project. It is considered that the cinema will be a catalyst for the positive enhancement of the economy of the whole town centre, and especially with regard to the development of an enhanced more “family friendly” evening/night-time economy.

Because the initial financial return is anticipated to be below commercially acceptable values, it is proposed that this scheme would be best delivered by the District Council as land owner.

13 Reference Documents

Appendix 1 – Phase 1 Development Plan

Appendix 2 - SCAPE Process Map

(Exempt Appendices under separate cover.) The information contained in the Exempt Appendix is exempt in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 because it contains commercial and financial information relevant to the negotiations between the Council and the preferred operator of the proposed cinema.

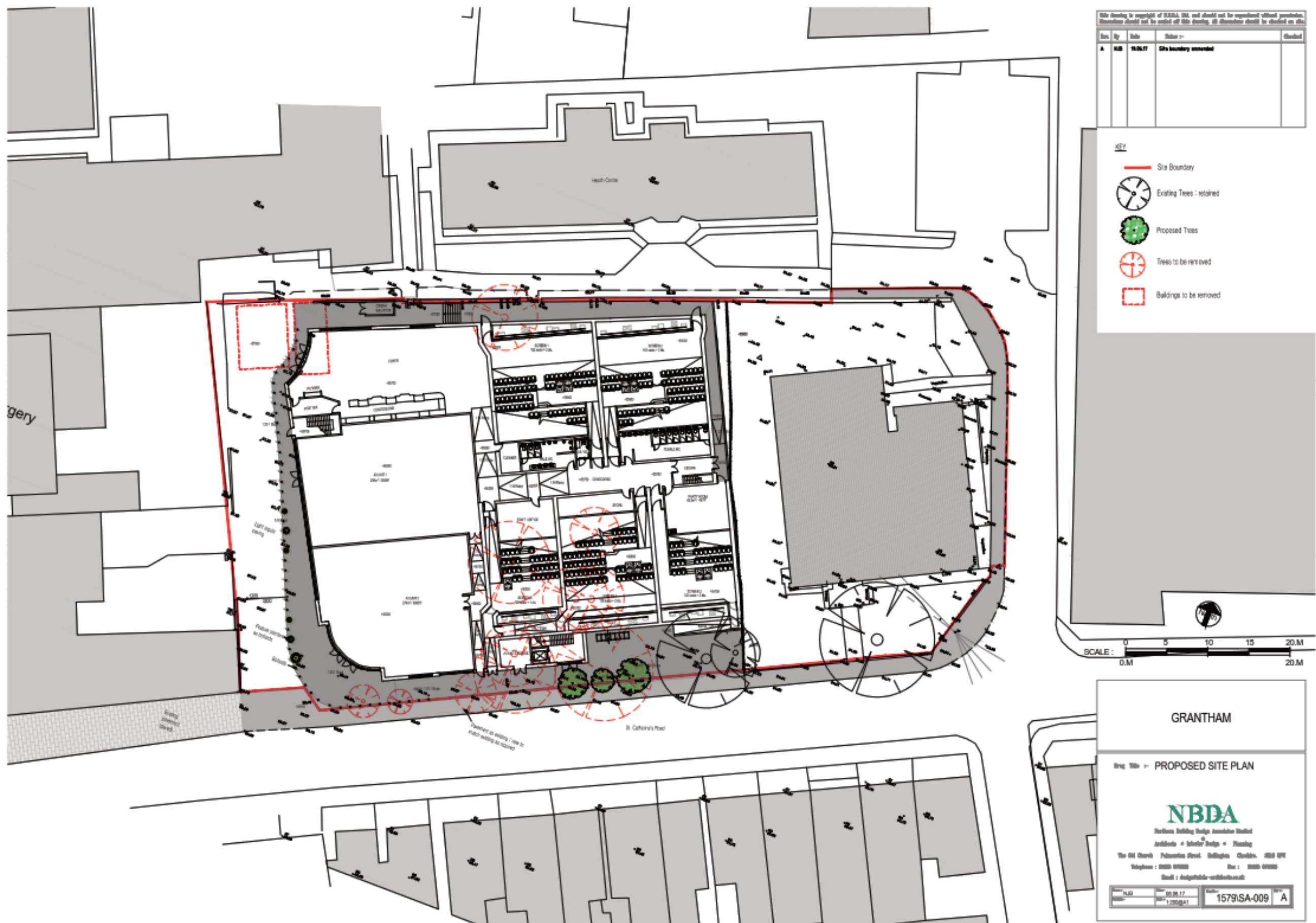
Appendix A –Savills and AECOM appraisal

Appendix B-Heads of terms for an agreement with the preferred cinema operator

Appendix C-MACE Order of Costs Estimate

Appendix D-Risk Register & summary of changes

14 Appendix 1 – Phase 1 Development Plan (Not to Scale)



15 Appendix 2 – SCAPE Process Map

