

Subject:	Madeira Terrace		
Date of Meeting:	8th October 2020		
Report of:	Executive Director for Economy, Environment & Culture		
Contact Officer:	Name:	Abigail Hone	Tel: 01273 292163
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report updates members on delivery of the first phase of the restoration of Madeira Terrace – the MT30 project – so called because restoring 30 of the 151 arches of the Terrace was estimated as a realistic ambition for the first phase of restoration.
- 1.2 The report also responds to a Notice of Motion (NoM) to Full Council on 30th January 2020 requesting exploration of options available to restore Madeira Terrace.

2. RECOMMENDATIONS:

That the Committee:

- 2.1 Note the work of the Advisory Panel and Project Board and the principle of the RIBA Stage 0-1 conclusions and the option proposed as outlined at paragraphs 3.17 to 3.44 of this report
- 2.2 Delegate authority to the Executive Director Economy, Environment & Culture, in consultation with the cross-party project board, to agree RIBA Stages 2 and 3, up to and including submitting a scheme for planning consent.
- 2.3 Note that further report will be brought to this committee when the design team are ready to present the final design, associated costs and seek authority to commence procurements for contractors to carry out the works.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The restoration of Madeira Terrace remains a considerable challenge for Brighton & Hove. There are substantial costs associated with bringing the structure back into public use. Key to the success of the restoration is creating a good balance between community & city aspirations alongside establishing future funding to continue restoring the whole Terrace and subsequently managing and maintaining it.

- 3.2 Since [June 2019 when the Tourism, Development & Culture committee \(now decommissioned\)](#) agreed funding to appoint a design team, there has been considerable progress towards the first phase of restoring Madeira Terrace; a design team are in place and have completed RIBA Stages 0-1, additional funding of £4.300M was allocated to the project from budget council in February 2020, supported by all parties, and a clear brief with an option for the first phase of restoration has been identified and supported by the cross-party Project Board and community-based [Advisory Panel](#).
- 3.3 In reaching the end of RIBA 0-1 stage and the brief for the first phase of restoration, the design team have also created a potential 'road map' for further phases of restoration of the whole Terrace, with an indication of how efforts to raise funds could be targeted.
- 3.4 This section of the report is divided into the following key areas:
- Governance
 - MT30 update & programme
 - Options for funding the restoration of Madeira Terrace

Governance

- 3.5 Agreement was given from [TDC in June 2019](#) to appoint a design team to professionally articulate the work involved to restore a first phase of Madeira Terrace and provide an up to date assessment of the likely costs involved.
- 3.6 A report prepared for [TECC committee on 20th November 2019](#) set out the steps necessary to appoint the design team, the work being done with community stakeholders and asked members to support a request to Policy & Resources Committee for a Project Board to offer agile governance to Madeira Terrace's restoration.
- 3.7 On [5th December 2019, Policy & Resources](#) Committee agreed the request to appoint a cross-party Project Board for the restoration of Madeira Terrace.
- 3.8 In early December 2019 Invitations to Tender were advertised for the appointment of the Architects, to lead the design team and a Project Manager to oversee and co-ordinate their work. These two appointments were made in March 2020.
- 3.9 Over the 2019 Christmas break theft of metal roofing occurred at Madeira Terrace, further exposing an already compromised structure and once again galvanising action from the community and the council to consider how funding could be put in place to support the full restoration of Madeira Terrace.
- 3.10 A [Notice of Motion to Full Council on 30 January 2020](#) was amended, agreed and referred to P&R committee on [13th February 2020](#). At this P&R Committee it was agreed a report on the options available to restore the whole of Madeira Terrace be brought to back to P&R on 30th April 2020.
- 3.11 Subsequent to the decision at P&R on 13th February 2020, [Budget Council on 27th February 2020](#) agreed to make £0.200m a year available to the restoration of Madeira Terrace. The committee stipulated that in 2020/21 £0.100m of this

funding was to be spent on development of a Masterplan for the Eastern Seafront including Madeira Terrace and the remaining £0.100m be used to explore the feasibility of any commercial uses of the Terrace. In 2021/22 the £0.200m was to be used towards borrowing £4.300m from the Public Works Loan Board in support of anticipated capital expenditure required to deliver the first phase of restoration – called the MT30 project. The Brief to appoint a design team stipulated restoration of a minimum 30 of the 151 arches of the Terrace. It was also proposed that an extra £6.700m could be raised by the Council investing £40m in commercial properties in the city.

- 3.12 The first meeting of the cross-party Project Board was due in mid-March 2020 and at the same time a report was being prepared for April 2020 committee to respond to the request of the Notice of Motion. In early March 2020 the UK went into lockdown as a result of the COVID-19 pandemic and both the Board meeting and the PR committee were postponed until further notice.

MT30 Update and programme

- 3.13 When UK lockdown came into place in March 2020, tenders had just been advertised for remaining design team appointments; Landscape Architects, Structural Engineers, Mechanical Engineer and Public Health and Cost Consultants. Tenderer presentations were held online in April 2020 and final award of all contracts were made in May 2020.
- 3.14 At the time of advertising the first tender in Dec 2019, the budget to undertake any works was limited to £2.440m so the design team brief requested consideration of where the first phase of restoration could take place against a backdrop of different expectations from stakeholders and within that budget. It was estimated that restoring 30 of the 151 arches in the Terrace could be a manageable number with the available budget. The three Crowdfunded arches were also intended to be included in the MT30 project, and their delivery prioritised using funds raised in the 2017 Crowdfunding campaign.
- 3.15 The original priorities set out for the design team in the brief accompanying the Tenders advertised were to:
- *restore the structure with its associated heritage, community and ecological value, respecting its historic significance and Grade 2 listing (likely to be raised to Grade 2*)*
 - *innovatively repurpose the Terrace (and Deck) in heritage, social and economic terms with a range of uses that should be complementary to the area and vision for this part of the seafront (see draft City Plan Part 2 (CPP2) Policy SSA5 Madeira Terrace and Madeira Drive). Refer Appendices A1.0. and A2.0.)*
 - *encourage Public Pedestrian movement both from west to east along the Terrace and north to south travelling up and down through the levels of the structure, linking the local neighbourhood with the shore.*
- 3.16 The appointed Design Team for MT30 is as follows:

Architect and Lead Consultant:

Purcell

Business Planners:	Fourth Street
Cost Consultant:	RLF
Landscape Architect:	Landscape Projects
Mechanical, Electrical and Public Health Engineers:	Stantec
Structural Engineers:	HOP

- 3.17 The design team started work on [RIBA Stage 0-1](#) in June 2020. The outputs agreed were a RIBA Stage 0-1 report and a Conservation Management Plan (CMP). These pieces of work ensure the design team are aligned in their thinking and approach to the first phase of restoration, with a clear strategic definition for ensuing design work in RIBA Stage 2 'Concept design'.
- 3.18 The CMP clearly outlines the policies and recommendations to preserve the distinct heritage values of Madeira Terrace and defines the characteristics which create its uniqueness and relevance to the surrounding area of the Eastern Seafront and city. The CMP highlights where new interventions could be targeted in the historic context, and those where significant alteration to the Terrace cannot be tolerated without undue negative impact on the heritage significance. The CMP is a crucial forerunner to all development on the Eastern Seafront as regards the Terrace, its context and setting. It informs this first phase of restoration – the MT30 project - and sets the tone in heritage terms, for future regeneration of the whole Terrace.
- 3.19 Previous efforts to restore Madeira Terrace including all associated design work, costings and community engagement have been critically reviewed and appraised by the design team. An options analysis exercise studied 3 possible options for the location of the arches to be included in the 'MT30' project. Key headlines from considering options were:
- That the MT30 project should set the tone for the restoration and re-purposing of the Terrace as a whole.
 - Each location option has its merits and issues
 - The process the design team have followed has sought to develop a holistic view of the issues and challenges facing the Terrace as whole, an understanding of the whole Terrace helps to develop a more convincing rationale for the first phase of restoration.
 - The RIBA 0-1 report form the basis for a more holistic study to ensure rational and balanced decisions can be made about the future opportunities and constraints facing the Terrace – these are set against current market analysis and understanding of Heritage Significance.
 - The RIBA 0-1 study feeds into early decision making on the location of MT30 and can help set the strategic direction for future phases beyond MT30.
 - Note that this RIBA 0-1 report is made with regard to existing policies and statutory legislation; though in the absence of a Masterplan for the Eastern Seafront.
- 3.20 Three locations for MT30 have been considered:
- Immediately West of Concorde 2, Shelter Hall (41 arches)
 - West End of the Terrace (39 arches)
 - East end of the Terrace, immediately east of Concorde 2 (33 arches)

These allow the Terrace to be considered in distinct Areas, which lend themselves to a potential future phasing plan – consisting of 4 Phases, of unequal numbers of Arches. The suggested Phasing Plan is at Appendix 2, with the design team proposing that the arches west of the Concorde 2 Shelter Hall would be their suggested first phase. As part of the move into RIBA Stage 2, the Executive Director Economy, Environment & Culture would be delegated to make a decision on implementing that phasing plan, in consultation with the cross-party project board.

3.21 The phasing model and plan has made assumptions for each phase of restoration as follows:

- That every Phase should include the refurbishment of at least 1no. existing Staircase.
- The rhythm of the existing stair accesses set the extent of each restoration phase – which correspondingly have unequal numbers of arches.
- Costs for each Phase could be higher or lower accordingly – as some phases have more arches than others.
- There is an opportunity to provide 1no. new lift-access within each Phase of works; and each new lift would be located in the vicinity of the staircase in each of the Phases. The end result would be 4no new accessible lift accesses distributed along the length of the Terrace; plus, the retention and upgrade of the Existing lift. If parity of access to all parts of the Terrace and support for visitor footfall along the whole length is to be a genuine outcome for the future of Terrace, this is the single biggest new intervention that can be made, would provide step-free access at intervals of roughly 165 – 185m along the whole length; alongside re-opening every stair and is comparatively low cost in the overall budget.
- In aiming to tackle the wider works to secure the structure in a logical manner, the benefit of instating new lifts and re-opening stairs without consequent repairs to the fabric of the adjacent structure would not offer as great a cost-benefit as approaching areas of the Terrace in a strategic manner. Thus, the phasing plan is intrinsically linked to the existing stair layouts, and the opportunities to improve vertical access within each subsequent phase.
- That upgrades to the existing external fabric of the Concorde 2 Shelter Hall must be considered in one of the phases of adjacent arches. The roof, and the existing lift form the anchor point of the Terrace, a landmark and orientation point along the Drive, and a critical link between the eastern end of the Terrace Deck, and the West.

3.22 The proposed programme for the first phase of restoration, to be baselined at RIBA Stage 0-1 is at Appendix 1

Options for funding the restoration of Madeira Terrace

3.23 Bringing together funding to restore Madeira Terrace has been a significant challenge since plans to restore the arches started in earnest in 2016.

3.24 At present, £6.740m of capital funding has been secured towards the restoration of Madeira Terrace:

- £0.440m – net funds raised through the Save Madeira Terrace Crowdfunding campaign

- £2.000m – capital allocations from council reserves
 - £4.300m – capital funds leveraged via a joint amendment on 27th February that commits a further £0.200m revenue funding from 2020/21 onwards
- 3.25 An additional £21,000 of funding is understood to have been raised via subsequent Save Madeira Terrace Raffles, although this money is not held by the city council.
- 3.26 In the 2017 Strategic Outline Business Case prepared by Mott Macdonald consideration of how to restore and re-purpose the Terrace resulted in a proposal of populating Madeira Terrace with units or serviceable ‘pods’ from which rental income could be generated. The high-level assumption was that this income could raise revenue to support future phases of restoration and/or support the ongoing costs of management and maintenance of the Terrace, a narrative which can no longer be upheld.
- 3.27 With additional funding approved at budget council in February 2020 [Fourth Street](#) were commissioned to focus on a ‘Business Model and Plan’ for the first phase of restoration (MT30) and Madeira Terrace as a whole. The first stage of Fourth Streets work has been to review the strategic and market context in which Madeira Terrace operates to help guide and define the RIBA Stage 0-1 brief for its restoration. The business model sets out the framework for how the scheme could be funded and maintained and charts the direction and principles which will underpin any business plan.
- 3.28 Fourth Street’s work to date has included a combination of site visits, desk-based research and analysis, and an extensive one-to-one stakeholder consultation exercise with community representatives, councillors and relevant officers at the council. While the focus has been on the MT30 project scope, it has been important to set this in the context of the entire Madeira Terrace, and its setting within Madeira Drive and the eastern seafront.
- 3.29 Fourth Street’s draft report ‘Madeira Terrace: Strategic, Market and Financial Review’ cites the main priorities overlapping multiple strategies and plans for the city and region and relating to Madeira Terrace and the Eastern Seafront as:
- Health & wellbeing (public amenity)
 - Creative Economy
 - East Brighton – sustainable & inclusive growth
 - Access and Transport
 - Major Events
- 3.30 According to Fourth Streets report, Madeira Terrace has a key part to play in the preservation of Madeira Drive as a premier outdoor events space, particularly by reinstating and enhancing the grandstand function of the Terrace including access and egress arrangements north-south, east-west, through the deck and onto Madeira Drive. If the event space at Madeira Drive is to be prioritised in future the use of the Terraces will need to align with this use of the eastern seafront area.
- 3.31 Fourth Street’s work questions the economic and wider area benefit of creating new structures to sit within Madeira Terrace, considering the costs for restoration of the structure first and then the requirement to create useable spaces and

facilities for businesses to operate and function. Fourth Street question whether against the existing rental market for business use along the seafront and any ongoing management and maintenance costs that any surplus could be raised. A key concern is that excessive interference with the original design purpose and function of the Terrace could seriously detract from its value to the Eastern Seafront. Fourth Street also cite how access to the eastern seafront is much needed by people living close by to have open space within comfortable walking distance. They advise that the greatest economic benefits could be realised by enhancing Madeira Terrace as the backdrop to the major event space on Madeira Drive.

- 3.32 Capital funding for projects like Madeira Terrace typically comes from a mix of sources. The most likely potential external sources today are: National Lottery Heritage Fund's 'Grants for Heritage' programme (closed until 2021), Central Government, Local Enterprise Partnership, Trusts and Foundations, and other fundraising including (but not limited to) sponsorship, cost off-setting, philanthropy, crowd-sourced and appeals.
- 3.33 Further revenue or capital funding sources might be identifiable from within BHCC for example by ring-fencing existing council revenue sources or savings on expenditure budgets (e.g. Madeira Terrace maintenance), leveraging capital funds through the Public Works Loan Board (or equivalent), cross-funding from enabling development in the area, capturing future revenue streams such as business rates (i.e. Tax Increment Finance – although unlikely), Section 106 or Community Infrastructure Levy contributions etc. These will be assessed further in due course but fundamentally, for BHCC to commit further resources, the business case will need to focus on one or more of the following:
- a. The value added to events being staged on the Eastern Seafront by either reducing the costs of staging events or adding value to events by opening up new event opportunities.
 - b. The value added to the wider regeneration of the eastern seafront e.g. helping to bring forward stalled or potential schemes in the area.
 - c. The value added to Brighton's residents and social value e.g. benefits arising from improved access to heritage and the related skills and knowledge transfer; improved health and wellbeing through improved access to public space.
 - d. The value added to Brighton's brand through profile raising, extended reach, quality of messaging and communication generally. This in turn could help to stimulate wider social and economic benefits for the city.
- 3.34 Fourth Street suggest one approach to the business model could be based around minimising the cost-in-use of Madeira Terrace and therefore the revenue required to sustain it in the long-term. Other factors for consideration include seeking to maximise the net additional value (financial and non-financial) stimulated in eastern seafront and for the city overall. There is a suggestion that the council could focus the funding strategy on their own resources and investments & continue seeking leverage from external resources. The former may fall short of the scale of funds to complete the entire Madeira Terrace while the latter introduces additional funding risks and longer delivery timescales. A logical conclusion at this stage is that a combination of different funding options in light of the proposed phasing plan is more likely to provide 'optimum' return across the varying stakeholder groups and their collective objectives.

- 3.35 A business model which will deliver the greatest value and return for stakeholders of Madeira Terrace depends on individual objectives and the type of 'return' valued. Some 'values' may not always be quantifiable and require a degree of subjective assessment, such as 'health and wellbeing'.
- 3.36 The underlying assumption from previous Madeira Terrace reports, MT30 design team briefings and feedback from stakeholder consultations that Madeira Terrace can deliver a commercial surplus to either contribute to funding the Madeira Terrace restoration or its longer-term maintenance and renewal is questionable. In the current economic climate, preparing for the first phase of restoration has considerable unknowns which includes any ancillary, lettable spaces; all figures and assumptions need to be treated with caution at this stage.
- 3.37 In RIBA stage 0-1 the cost consultants have provided an indicative estimate of £50k per proposed pod in an arch based on a range from £30-40k to £80-£90k. The broad range estimated by the cost consultant emphasises the level of uncertainty. Their work is informed by the Conservation Management Plan (still in draft) other basic assumptions and advice from Purcell, the architects leading the design team. These estimate figures relate to 'shell and core' only and exclude fit out of the pods internally, professional fees and service connections.
- 3.38 The size of MTs arches vary, ranging from 4.8m wide to a depth of between c.5m and c.7m, depending on the location. Therefore the gross size of a pod might be between c.24-34sq.m. Assuming 90% net:gross areas then, the lettable area would be between c.22-30sqm. BHCC's seafront property portfolio data indicates that rents vary from £6/sqft to £57/sqft giving an average of £19/sqft. Rental costs along the seafront vary and could be higher in more central locations i.e. between the two piers rather than a peripheral location like Madeira Terrace. Rents also vary across the city and from sector to sector.
- 3.39 If a rental charge of £20/sqft was assumed the gross annual rent for a pod would be c.£4,650, however there are no discounts/incentives or void assumptions, nor any marketing, management and finance costs borne by a landlord in this assumed rental charge. If excluded costs of developing the pods (i.e. items which are currently excluded from the £50k) are included the return on investment calculation is low and likely to end up with a very low or even negative residual value. This assessment also omits to consider any heritage, public access and major event implications.
- 3.40 An indicative development appraisal by Fourth Street suggests that to achieve a commercial surplus, using the previously quoted cost estimates, the arches fitted out with facilities would need to achieve rental values considerably in excess of what is currently being achieved in more desirable locations along Brighton's seafront. Either that, or the cost of constructing and implementing any form of 'pod' or construction fitting into the arches would need to be a much lower cost option. Different uses within 'pods' could demand very different design and servicing requirements and therefore significantly alter the initial capital costs. For example, a restaurant and kitchen operating from within a series of pods will require significantly greater extraction and air handling measures than a retail unit or artist studio. The RIBA Stage 0-1 report option proposed could allow the design team to explore such options in greater detail.

- 3.41 Other reasons for developing new uses and activities to function within the bounds of Madeira Terrace have been cited by stakeholders as making a contribution to positive 'placemaking' along the eastern seafront and perhaps to address a deficiency in space provision across the city, such as 'creative workspace', though the key drivers in this case would be for a different objective than commercial return.
- 3.42 Satisfying any commercial and non-commercial objectives through inclusion of pods or other means of enabling new uses and activities to function within Madeira Terrace must be also considered against the potential loss of public access and any impact on Madeira Terrace's heritage as well as events staged on Madeira Drive.
- 3.43 It is important to note that to date proposed new uses and activities within Madeira Terrace have tended to focus on spaces in the arches at ground floor level on Madeira Drive, perhaps due to the shelter afforded by the arches. In RIBA Stage 2 the design team could give consideration to developing some new uses on the terrace, at first floor level. In RIBA Stage 2 the design team will understand what the minimum 'cost-in-use' for Madeira Terrace could be, by having a clearer idea of the required approach to design, conservation and engineering.
- 3.44 The national profile and importance of Madeira Terrace was increased this year following the council's application to Historic England (HE) to review the listed status of Madeira Terrace in early 2019. Re-assessment of the grading was made in September 2019 and in March 2020 Historic England confirmed Madeira Terrace's upgrade to Grade 2*. The upgrade in heritage status means the Terrace will be included in the updated publication of Historic England's Heritage at Risk Register in October 2020. HE states: 'Inclusion of a building [on the HAR] is not a criticism of those responsible for the building. Rather, it is an indication that those who are caring for an important part of the country's heritage are facing significant challenges, which may require more resources than they can find locally. The aim of the Register is to keep attention focused on these buildings, to act as a working tool to help define the scale of the problem, and to prioritise action by Historic England, local authorities, funding bodies and others who can play a part in making these irreplaceable buildings safe and sustainable for future generations'

Private sector investment opportunities

- 3.45 The RIBA Stage 0-1 report prepared by the Design Team suggests the area where the most infill/commercial occupation of the Terrace could be located is at the western end of the Terrace. The possible phases of restoration the design team are suggesting are shown on a plan at Appendix 2.
- 3.46 Any private sector partner would need to be selected through a procurement process and work to deliver a brief agreed by Members. This brief would need to consider the likelihood of planning permission given the heritage significance of the Terrace. Any private sector led design proposals would, as well as complementing the heritage value of the existing terrace, also need to align with the MT30 design solution achieved in the first phase of restoration.

3.47 Furthermore, consideration would also need to be given to the deliverability of any future private sector funded scheme. Given the progress being made it is proposed that the MT30 project be prioritised as part of the phased approach to the regeneration of the Terraces so momentum already gathered is maintained, and that private sector funded options could be considered for the next phases. Any private sector option would need to be based on a brief that could be tested against two main criteria:

- 1) Likelihood of planning consent, bearing in mind the heritage considerations for the location, and
- 2) Deliverability and financial viability of the proposal and ability to be realised with minimal public subsidy.

Any private sector brief would also need to be informed by the ongoing and developing work for a business model for the whole of Madeira Terrace.

Eastern Seafront Masterplan/SPD

3.48 A brief and accompanying documentation making an Invitation to Tender from masterplanning consultants has been prepared for the Eastern Seafront and will be advertised soon. This work will help set the restoration of Madeira Terrace within the context of a wider vision for the city's eastern seafront, helping to shape the use of Madeira Drive, the interface with the Terrace and how this space can be used by all residents in the city. It will also help to shape the context of Madeira Terrace as a linear stadium for an enhanced event space on Madeira Drive, leading towards a new piece of public realm at Black Rock and how these spaces link to the Marina. The Eastern Seafront Masterplan activities will help create conditions that could draw in both public and private sector investment – financial or otherwise.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The RIBA Stage 0-1 report considered costs for doing nothing and managing the material decline of the Terrace and a light touch safety of the structure, which could preclude access to the deck level, and excluded any Green Wall preservation work, lighting, drainage etc

4.2 Both options do not meet the brief issued, particularly because use of the Terrace to provide backdrop to support events on Madeira Drive is becoming a priority.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The Advisory Panel was set up in May 2019 and monthly meetings requested by Panel members have been held since September 2019. The council are secretariat for the Panel and since COVID the panel requested the BHCC Project Manage chair the monthly meetings.

5.2 Advisory Panel members represent the following interest category groups:

- Community groups & residents
- Event organisers
- Businesses

- Tourism
- Conservation of the Built and Natural Environment

Panel members have wider networks in their category area where they share information about Madeira Terrace's restoration.

- 5.3 [Web pages](#) for the project are regularly updated and a wide email list notified of updates by VisitBrighton marketing team.
- 5.4 Fourth Street's work included one to one interviews and engagement with the Advisory Panel, Councillors and officers at BHCC to produce their report: 'Madeira Terrace: Strategic, Market & Financial Review' (Draft)

6. CONCLUSION

- 6.1 There has been considerable progress towards the restoration of Madeira Terrace. An exceptional design team have given reasoned consideration to how the Terrace can be restored in its entirety, with a suggested phasing plan which can be adapted to the financial position or circumstances of the project as it progresses. The phasing plan also includes a potential option for a more commercial opportunity, perhaps with private sector involvement at the Western end.
- 6.2 Madeira Terrace is a valued heritage asset giving unique character to the eastern seafront and has potential to increase space for leisure and wellbeing in the east of the city. The first phase of restoration also proposes exploration of how to create flexible, pop up uses of the Terrace, while retaining the function of a public park/space for people.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The report highlights the funding already secured of £6.740m including £4.300m from borrowing funded from a £0.200m budget allocation agreed at budget council to cover financing costs. These resources could fund the first phase of the renovation.
- 7.2 A budget amendment also agreed at Budget council in Feb 2020 was to invest £40m in commercial property to create additional yield to support further borrowing for investment in Madeira Terrace. Since budget council the Treasury have consulted on restrictions to local authority PWLB borrowing. This is in response to the significant increase in Local Authorities using relatively cheap PWLB borrowing rates to finance commercial activities in pursuit of yield. The likely outcome will mean councils will no longer be able to access PWLB debt if their capital plans include any investment purely for commercial gain. The budget amendment agreed at Budget Council to invest in commercial property will be affected by these changes should they be implemented.
- 7.3 This potential restriction could also affect proposals for commercial uses as part of the renovation of Madeira Terrace unless it can be demonstrated that these are ancillary to the core purpose of the capital investment.

- 7.4 Borrowing costs from PWLB are continuing to be at historically low rates. If the current rates continue the council could use the £0.200m approved to cover financing costs to secure funding of £5.700m debt instead of the £4.300m assumed in February 2020, an increase in resources of £1.400m.
- 7.5 If further phases are to be funded from borrowing in part or in full, each £1.000m additional debt (based on a 50-year life of the investment at current interest rates) would create a c£0.035m per annum commitment.

Finance Officer Consulted: James Hengeveld

Date: 10/9/20

Legal Implications:

In accordance with Part 4 of the council's Constitution, Policy & Resources Committee is the appropriate decision-making body in respect of the recommendations set out in paragraph 2 above.

Lawyer Consulted:

Name Wendy McRae-Smith

Date: 25/9/2020

Equalities Implications:

- 7.6 Increasing access overall and parity of access for any mobility impaired user to the eastern seafront is a key priority for the first phase of restoration and proposed in possible further phases.

Sustainability Implications:

- 7.7 A clear brief has been issued to the design team to incorporate Circular Economy principles, in line with the City Council's declaration of Climate Emergency and associated aim to achieve carbon neutral status by 2030.
- 7.8 An estimated budget sum of £0.500M has been allowed in the construction budget to facilitate sustainable measures such as power generation and rainwater harvesting.

Brexit Implications:

- 7.9 None identified.

Crime & Disorder Implications:

- 7.5 The regeneration of the Terraces will ensure the area is better used and mean Madeira Drive is less likely to attract crime and anti-social behaviour.

Risk and Opportunity Management Implications:

- 7.6 A Risk Register is updated regularly with the project's design team, a dashboard report is prepared for BHCC by the Design Team highlighting key risk for the project. The BHCC client project manager prepares a monthly highlight report. Both the Dashboard report and Highlight report outline the key risks associated with the project. High level risks are also managed through CIB/SDB reporting.

Public Health Implications:

- 7.7 In line with the Council's duty to promote the public health and wellbeing of the people in the area, restoring the Terrace increases access to a major public space for recreation and enjoyment.

SUPPORTING DOCUMENTATION

Appendices:

1. Programme baselined in RIBA Stage 0-1
2. The phasing plan suggested by the design team

Background Documents

1. RIBA 0-1 report & Appendices
2. Conservation Management Plan (Draft)
3. Madeira Terrace: Strategic, Market & Financial Review' - Fourth Street (Draft)

