

## How project management saved a major regeneration project during recession in the UK.

### Elephant Road Regeneration Scheme, London Borough of Southwark £120 million mixed use development

by **Michael Thirkettle**, CEO McBains Cooper – UK, Speaker, 6<sup>th</sup> International Athens Conference in Project Management Best Practices”, 20 June 2011

**Abstract:** The Elephant & Castle regeneration scheme is one of the most significant in Europe, which will include 5,000 new and replacement homes, up to 450,000 square feet of retail space and an integrated public transport hub. The whole scheme was recognised by the Climate Positive Development Program, a Clinton Climate Initiative (CCI), as one of the 16 projects that demonstrate cities can grow in ways that are 'climate positive' (18 May 2009). This was one of the first developments to have survived the challenging financial times and still remains the catalyst for the Elephant & Castle Regeneration programme. McBains Cooper has been involved as the Project Management team in the Elephant Road scheme since its inception in 2005. It remains the pivotal development within the Elephant & Castle Regeneration programme, which includes circa 400 new homes, circa 250 units of student accommodation, multi-screen cinema and retail space, all housed within 3 towers and a podium. Michael Thirkettle will present how McBains Cooper was able to nurse the project through the recession using an inter-discipline project management approach to maintain the momentum of keeping the project alive, requiring a team with the **Right People** having the **Right Skills** doing the **Right Job**. He will further set out how the Project Management role had to go beyond the normal perception of procedures, processes and people management, adapting to the project requirements and financial circumstances and how the scope of project management in the UK has and will continue to expand and adapt to meet the challenges of the post recession demands on the life cycle of developments.

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Elephant & Castle has been identified as one of the most significant regeneration schemes in Europe. The Elephant Road project lies within the 170-acre regeneration opportunity area of the London Borough of Southwark. The £1.5 billion Regeneration of this area aims to create a new district for Central London, to include thousands of new and replacement homes together with substantial commercial and retail offerings complemented by a new park, tree-lined streets, high quality green open spaces and a traditional seven-day market. The regeneration seeks to create and provide training opportunities, better living and working environment with the Elephant and Castle and new jobs for the immediate community. The whole scheme was recognised by the Climate Positive Development Program, a Clinton Climate Initiative (CCI), as one of the 16 projects that demonstrate cities can grow in ways that are 'climate positive' (18 May 2009).

The Elephant Road project is a landmark development of three towers built on a podium in the centre of the Elephant & Castle. The scheme at present comprises the following:

1. 261 private residential units in the West Tower
2. 122 social residential units in the South Tower

3. 240 student accommodation units in the North Tower
4. 61,535sq ft of commercial space in the podium (inc. cinema, supermarket and retail)
5. Two Storey basement including access for articulated lorries

The project, for various reasons, has been to planning on three separate occasions.

McBains Cooper worked together with the London Borough of Southwark for the implementation of a Multi Utility Services Company (MUSCo) to provide locally generated heat, cooling and electricity for Elephant Road, a pivotal project to make the MUSCo viable, which was a fundamental element of any Regeneration Programme with the vision of aligning to the Government's low carbon targets by 2050.

The second scheme came to an impasse in April 2007 as a cost agreement could not be obtained between contractor and client team. The challenges faced here were in respect of the building being a landmark development and the team not being able to err from the design under strict instructions from the client and in line with planning conditions. In particular, the complexity and scale of the cladding meant that only two contractors in the world were prepared to look at the scheme with one being discounted due to the heavy risk associated with not technically or logistically having delivered such a project previously. At this point the cladding market was overheated to such an extent that costs had spiralled in a short period of time.

Notwithstanding, the development was ready to start on site in 2008, when the UK started to feel the full impact of the recession which raised its head in mid/late 2007. Funding the scheme became a major obstacle which was compounded with almost immediate reduced valuations on the housing element and reduced demand on the commercial. The net effect was that this £120m project became un-bankable.

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McBains Cooper's Project Management team, through consultation with the developer and in-house designers, introduced phasing, value engineered the scheme, proposed an alternative mix of uses for the project and assisted with securing staged funding based on a design that was more efficient and, therefore, produced a higher return on investment, making the project bankable. Alternative use and Pre-lets became key drivers to restart the scheme with the North Tower changed for student accommodation and pre-let to a student operator who also agreed to fund its construction, thus this reduced equity demand across the scheme and allowed a greater equity ratio, which could then be reallocated to the remaining two Towers and podium delivering a bankable development appraisal..

The designers worked together to provide a flexible solution that optimised the capital cost and allowed the developer to offer optional extras that can be paid for by the incoming owners.

The project is now onsite following a phased and associated funding strategy, with enabling works completed in 2007 and piling ongoing to take up to podium. Currently the project management requirements rest with ensuring the appropriate discharge of all planning conditions. The client is also finalising the funding solutions which may encompass a JV arrangement with Contractor(s) putting up equity to reduce risk and bank funding requirements.

Michael Thirkettle, CEO of McBains Cooper, will present how the company was able to nurse the project through the recession using an inter-discipline project management approach to maintain the momentum of keeping the project alive, requiring a team with the **Right**

**People** having the **Right Skills** doing the **Right Job**. He will further set out how the Project Management role had to go beyond the normal perception of procedures, processes and people management, adapting to the project requirements and financial circumstances and how the scope of project management in the UK has and will continue to expand and adapt to meet the challenges of the post recession demands on the life cycle of developments.

Michael's presentation will focus on the following:

- Appreciation of the holistic strategic overview required and this changing skills of the Project Management team
- Project Management role in financial and political aspects to maintain project momentum in recessionary period
- Change perception on post recession "project management" in the UK.
- Change in focus from single role/discipline led project management to "inter-discipline" model – collective excellence.
- Benefits derived from behavioral/culture led project management with the Authority/ Developer(Client)/ Contractor/ Professional team.

Professionals who will benefit from this presentation include, but are not limited to:

- Authorities and Developers involved in major schemes and regeneration initiatives
- Developers/Funders with projects subject to delay/aborted or similar through funding and cost implications
- Leaders in the project management field
- Senior Management/Executives in operational delivery of large mixed use schemes
- Those who can effect change within their organization/project delivery approach.
- Project team individuals – regardless of disciplines.

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### **Michael Thirkettle, CEO, McBains Cooper**

Malta-born British citizen Michael Thirkettle, CEO of international property and construction consultancy McBains Cooper, likes to move fast. In business, he rose to the position of Chief Executive of the company by age 39, and for pleasure he rides fast motorcycles. He often uses the analogy of how the agility and dynamics of a motorcycle and rider can be compared with the way he runs McBains Cooper, a business which is agile, quick to react and able to anticipate conditions and quickly change course or speed accordingly.

Michael has a BSc in Building Surveying and has been a Member of the Royal Institute of Chartered Surveyors (MRICS) since 1989. He joined McBains Cooper in 1992 and became CEO in 2003. He was made an Honorary Vice-President of the charity, Muscular Dystrophy Campaign in 2010.

Michael has developed with the company, adding to his skills and experience with strategic project management of property development and outsourcing in the private and public sector. With his previous operational role responsible for the Property Division, he has been able to gain a unique strategic overview of the Project Management arena. Leading the business with extensive expertise, drive and enthusiasm, Michael's management philosophy is that people should be treated honestly and consistently and that an organisation is only as good as its people and the culture it promotes. Michael's objective is to continue to invest in the management, staff and development of the McBains Cooper Group to deliver inter-discipline specialised services to a diverse range of clients, across a broad platform of projects and to the highest quality standards.

## **McBains Cooper – UK**

McBains Cooper is a leading, inter-disciplinary property and construction consultancy providing a bespoke range of services to 'blue chip' corporates and public bodies throughout the UK, Europe, the Middle East and Latin America.

McBains Cooper has differentiated its service range from that of a multi-disciplinary consultancy by operating an inter-disciplinary model. To be multi-discipline is simply to be a collection of separate disciplines with personal agendas. To be inter-discipline is to be an integrated collective team with the project as the only agenda. Only with an inter-disciplinary culture, behavioural techniques and bespoke project processes can a team be truly integrated and collaborative. By integrating the processes and operational programming of the professional disciplines, the Group is able to enhance both the value and quality of the service provided. This creates cost savings across its projects throughout the design and construction process, as well as the underlying funding costs. The strength and depth of delivery is embodied in the culture of the business and conveyed in the company's now well recognised strap line: "individual expertise.....collective excellence".