



Meeting	Council
Date and Time	Wednesday, 25th September, 2019 at 7.00 pm.
Venue	King Alfred Conference Chamber, Guildhall, Winchester

NOTICE IS HEREBY GIVEN that an Ordinary Meeting of the Council will be held at 7.00 pm on Wednesday, 25th September, 2019 in the King Alfred Conference Chamber, Guildhall, Winchester and all Members of the Council are summoned to attend.

AGENDA

- 1. MINUTES OF THE ORDINARY MEETING OF THE COUNCIL HELD ON 26 JUNE 2019** (Pages 7 - 14)
- 2. DISCLOSURE OF INTERESTS**
To receive any disclosure of interests from Members or Officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with the Council's Code of Conduct.
- 3. ANNOUNCEMENTS FROM THE MAYOR, LEADER AND CHIEF EXECUTIVE**
- 4. QUESTIONS FROM MEMBERS OF THE PUBLIC**
To receive and answer any questions from the public.
(Questions must be received in writing by Democratic Services – democracy@winchester.gov.uk – no later than noon on Tuesday 24th September 2019.



5. **TO CONSIDER AND DETERMINE THE FOLLOWING RECOMMENDED MINUTES:**

- a) **CABINET - 18 SEPTEMBER 2019** (Pages 15 - 38)
Establishing the Winchester Housing Company
(Report CAB3160 refers)

RECOMMENDED MINUTE TO FOLLOW

- b) **CABINET - 28 AUGUST 2019** (Pages 39 - 150)
Station Approach Proposals for Delivery and Further Public Realm Development
(Less exempt Appendices 4a, 4b and 9*)
(Report CAB3172 refers)

RECOMMENDED:

1. Approval to agree and to enter into the LEP grant agreement for a total sum of £5m based on the Heads of Terms (Appendix 6), with final amendments to be delegated to the Strategic Director: Place in consultation with the Cabinet Member for Local Economy.

2. Approval to incur capital expenditure in stages totalling £5m to be funded from the LEP grant recognising the terms and conditions attached to the grant agreement and that such expenditure will be subject to payback to the LEP should the scheme not progress and achieve the grant objectives.

****NB Due to its size, Appendix 10 of CAB3172 has been circulated separately under a supplementary agenda pack.***

- c) **SCRUTINY COMMITTEE - 4 JULY 2019** (Pages 151 - 158)
Draft Annual Scrutiny Report
(Report SC004 refers)

RECOMMENDED:

That Council note the Annual Scrutiny Report for 2018/19.

6. **CHANGES TO THE CONSTITUTION (CL146 refers)** (Pages 159 - 172)
7. **APPOINTMENT OF SECTION 151 OFFICER (CL147 refers)** (Pages 173 - 174)

8. **NOTICES OF MOTION**

- a) **The following Motion is to be moved by Councillor Godfrey:**

"This Council supports the declaration of a Climate Emergency and confirms its commitment to reducing waste and pollution through its own activities and to continue to support residents in the Winchester District to make the same commitment. In support of this commitment, this Council agrees not to introduce any charge for Winchester residents for the collection of garden waste and to lobby other neighbouring authorities to keep the collection of garden waste free of charge."

- b) **The following Motion is to be moved by Councillor Horrill:**

"The City of Winchester Movement Strategy has been developed following input from almost 3,000 people and adopted by Hampshire County Council and Winchester City Council and sets out an agreed vision and long term priorities for travel and transport improvements in Winchester over the next 20-30 years. The Strategy is accompanied by an Action Plan that considers what needs to happen when, in order to deliver the Strategy. To this end the 2019/20 budget provided £500,000 towards the first stages of delivering the plan.

This project, its progress and deliverables are not currently visible to residents or Councillors. In support of this key initiative and commitment to residents this Council agrees to set up a cross party committee to regularly monitor and review progress, and to be involved in key decisions ongoing and for these meetings to be open to the public"

9. **CHANGES TO COMMITTEE MEMBERSHIPS**
To receive any resignations from committees and to make any necessary reappointments.
10. **QUESTIONS FROM MEMBERS OF THE COUNCIL**
The total time for questions and the answer and supplementaries thereto shall not exceed 30 minutes.

11. **EXEMPT BUSINESS:**

To consider whether in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

(i) To pass a resolution that the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100 (I) and Schedule 12A to the Local Government Act 1972.

12. **CABINET - 28 AUGUST 2019** (Pages 175 - 204)
Station Approach Proposals for Delivery and Further Public Realm Development
(EXEMPT APPENDICES 4a, 4b and 9)
(Report CAB3160 refers)

LAURA TAYLOR
Chief Executive

Members of the public are able to easily access all of the papers for this meeting by opening the QR Code reader on your phone or tablet. Hold your device over the QR Code below so that it's clearly visible within your screen and you will be redirected to the agenda pack.



17 September 2019

Agenda Contact: David Blakemore, Democratic Services Manager
Tel: 01962 848217 Email: dblakemore@winchester.gov.uk

Quorum = 12 members

PUBLIC PARTICIPATION

Members of the public may ask questions of the Leader, Cabinet Members and Committee Chairs at Ordinary Meetings of the Council. The total time allocated for questions by the public shall normally be limited to 20 minutes.

A question may only be asked if notice has been given by delivering it in writing to the Democratic Services Team Manager no later than noon on the working day preceding the Council meeting (email to democracy@winchester.gov.uk). Each question must give the name, address, email address and telephone number of the questioner.

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the [Council's website](#).

DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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COUNCIL

Wednesday, 26 June 2019

Attendance:

Councillors
Bell (Chairperson)

Achwal	Hutchison
Becker	Laming
Bentote	Learney
Bronk	Lumby
Brook	Mather
Clear	McLean
Clementson	Miller
Cook	Murphy
Craske	Pearson
Cutler	Porter
Evans	Power
Ferguson	Prince
Fern	Read
Gemmell	Ruffell
Godfrey	Scott
Gordon-Smith	Thompson
Gottlieb	Tod
Green	Weir
Griffiths	Weston
Hiscock	Williams
Horrill	

Apologies for Absence:

Councillors Cunningham, Humby and Rutter

1. **TO CONFIRM THE FOLLOWING MINUTES OF MEETINGS OF THE COUNCIL:**

RESOLVED:

That the minutes of the Ordinary Meeting of the Council held on 28 February 2019 (less exempt minute) and the Extraordinary meeting of the Council held on 19 March 2019 and the Annual Meeting on 15 May 2019 be approved and adopted.

2. **TO RECEIVE ANY COMMUNICATIONS FROM THE MAYOR, LEADER OR CHIEF EXECUTIVE**

The Mayor's first announcement was that she had written letters to the following people who lived or worked in the District, to congratulate them on their awards in the New Year's Honours List:

Carolyn Julie Fairbairn (Director General, Confederation of British Industry) – Dame Commander of The Order of the British Empire – for services to UK Business.

Felicity Harding (Ambassador and Special Advisor to the Chief Executive, Samaritans) – Officer of the Order of the British Empire – for Charitable Services.

Susan Margaret Henderson (Student Services Manager, University of Winchester) – Medalist of the Order of the British Empire – for Services to Higher Education.

The Mayor then reported on recent events associated with the district's close relationship with the military. She had recently attended Operation Overlord D-Day commemorations at Southwick Park as well as the annual Armed Forces Week Flag Raising Ceremony. The Mayor was also to host a special lunch at Abbey House to welcome military representatives from St John Moore Barracks, Southwick Park and Worthy Down.

The Mayor announced that with her Chaplin, she would be ensuring that the diversity of local communities were represented at her events throughout her year.

The Mayor then reported that she had recently been involved in events to celebrate the 25th anniversary of Winchester's association with Laon, France. The Mayor had also been pleased to have met the Mayor of Giessen, Germany (which was also twinned with Winchester) during his recent visit to Winchester as part of a choir tour.

The Mayor then informed the meeting that tomorrow was her annual Civic Day. She was to host a special lunch at Abbey House with Mayors from across Hampshire as well as a tour of Winchester College and also at IBM, Hurlsey.

Finally, the Mayor reported that as many Members already knew, the Council's Strategic Director (Resources) Joseph Holmes was leaving to take up a role at West Berkshire Council at the end of the summer. The Mayor awarded Mr Holmes the best thanks of the Council for his time as one of the Council's Strategic Directors. Members reciprocated with applause.

The Leader then made a number of announcements. Firstly, Council had been successful in a number of national awards. These included the Land Charges team which had been shortlisted for a Best Customer Experience Award and Digital Award and also the Finance team which had been shortlisted for a Public Finance Innovation Award for financial reporting and accountability.

The Chesil Lodge Extra Care Scheme had been awarded the Best Inclusive Building category as part of the LABC South East Excellence Awards now being shortlisted to the national Awards. The scheme had also reached the finals of the best public service building, blue print for sheltered living. The Leader then announced that reviews were underway in respect of three major projects. The review of the Council's new Sport and Leisure facility at Bar End was now substantially complete. It was not proposed to extend the sports hall at this time, but consideration would be given to changes to the internal layout along with further measures to improve the carbon footprint of the building.

With regard to the Central Winchester Regeneration work, there was an opportunity to build in further consideration with regard to sustainability and the involvement of key stakeholders.

The Station Approach project was complex and the Leader reported that a review was actively considering the environmental impact of the development.

The Leader then announced that Cabinet was taking a new open and transparent approach to each of these projects. Public open forums would be established and nominations requested from members. Further information would be provided in due course.

Finally, the Leader referred to the recent declaration of a Climate Emergency and involvement in the 'Clean Air' Day and thanked the council team for their efforts to ensure climate change was at the centre of all their work.

The Chief Executive announced apologies for the meeting.

The Chief Executive then reported that Winchester Citizens Advice Bureau was now located at the Colebrook Street offices. This co-location would ensure the best possible advice to residents was provided to residents as quickly as possible.

The Chief Executive then referred to the results of the recently commissioned residents' survey. In summary, these showed that 95% of residents were satisfied with their local area as a place to live and that 79% had said that they were satisfied with the way the Council ran things. 65% had said that the Council provided value for money. These figures were all at least 14% higher than the average score for south east councils and would provide a baseline for further service improvements.

3. **DISCLOSURE OF INTERESTS**

Councillor Gottlieb declared a disclosable pecuniary interest in respect of Agenda Item 8 – Exempt Minutes of the Ordinary Meeting of the Council held 28 February 2019. Councillor Gottlieb left the room during consideration of this item.

4. **TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE RULE 15.**

16 written questions had been received which were heard at the meeting along with associated supplementary questions. All questions are set out on in full on the Council's website, together with responses from the relevant Cabinet Member.

5. **TO RECEIVE PETITIONS UNDER COUNCIL PROCEDURE RULE 16.**

a) **Petition by Winchester Friends of The Earth – Climate Emergency**

In accordance with Council Procedure Rule 16, a petition was submitted by Winchester Friends of the Earth, containing 598 signatures. The details of the petition are set out on the agenda.

In summary, they referred to the 'Earth Day' march earlier in the year and also Cabinet's declaration of a Climate Emergency. Two local young people addressed council and reported that many children were worried about the future and although adults were now working to make positive changes, not enough adults in power were doing enough.

Councillor Murphy (Cabinet Member for the Environment) thanked those attending and for their presentation and reported that although Cabinet had announced how it intended to address climate change, a public engagement event was to be arranged as the community was needed to help support the Council in its approach.

During the debate which followed, Members made a number of key points including:

- The Council had previously worked to reduce its own carbon footprint through various initiatives including energy reduction.
- An exact definition of 'carbon neutrality' should be ascertained.
- The Council should consider further improving its existing housing stock and converting its vehicle fleet away from petrol/diesel
- An action plan, with practical measures to deliver, must be developed and the whole Council involved, together with engagement with residents and businesses.
- The Local Plan was important as would influence new development, active travel, biodiversity and carbon neutrality. The environment must be considered as a 'whole'.
- New technology was able assist further with the reduction of carbon footprint.
- The County Council needed to work with the district councils, including with regard to public transport.

In summing up, Councillor Murphy advised that the matters raised by the petition would be referred to by a future meeting of the Cabinet as part of its consideration as to how the Council was to deliver against an action plan.

RESOLVED:

That the matters raised in the petition be referred to a future a meeting of the Cabinet as part of its consideration as to how the Council was to deliver against the Climate Emergency action plan.

b) Petition by Councillor Mike Craske – Caring for the future of St Barnabas

In accordance with Council Procedure Rule 16, a petition was submitted by Winchester Friends of the Earth, containing 305 signatures. The details of the petition are set out on the agenda.

In summary, Councillor Craske referred to the character of the St Barnabas ward which he said was changing in an uncontrolled way. There were too many executive homes and flats being built as determined by developers and not the affordable homes that were required. He set out that the existing planning system was not working as the wrong types of homes were being built in the wrong places and the Council must have a well-resourced and trained planning team. The St Barnabas ward was not parished and it was requested that a Neighbourhood Plan be compiled.

Councillor Porter (Cabinet Member for Built Environment and Wellbeing) thanked Councillor Craske for his presentation and acknowledged the strength of feeling in St Barnabas in not wanting to lose their sense of community. Staffing within Development Management would always be a challenge and there had been some recent recruitment and restructuring which had brought in additional resource but that retention of planning staff was as important as recruitment. Councillor Porter also referred to the Council's enforcement policy being under review which was to be considered at Health and Environment Policy Committee in due course. Although the Winchester Town Forum was not the local planning authority, she suggested that it could be a conduit for considering local planning matters. With regards to the petition requesting a Neighbourhood Plan to improve the situation, the Local Plan revision would assist by determining the appropriate policies for the district and may be able to reflect a 'Winchester plan'.

During the debate which followed, Members made a number of key points including:

- St Barnabas would not be able to produce a Neighbourhood Plan in isolation to other town wards. Neighbourhood Plans were costly and required considerable work to deliver. The Local Plan was there for the community to engage with and should be sufficient to fulfil needs.
- The Denmead Neighbourhood Plan had been community led and work had to come from the community to ensue its delivery.
- There was a need to work on a vision for the local area and in conjunction with residents. The work of Central Winchester Regeneration had been good, collaborative work.
- The Town Forum had previously had a good discussion of the matters raised by Councillor Craske. The Stanmore Planning Framework

previously provided some cohesion and direction and so any form of Plan or Framework should be welcomed. Some particular areas of the town area may need to be prioritised. There were also issues across the city of family homes being occupied by students.

- Residents of north Winchester were aware of much adjacent development, such as Kings Barton. There was recognition that there was a need for new homes, but poorly thought-out infill development was often alien in design and there was a lack of affordable housing contribution from developers.

In summing up, Councillor Porter suggested that although the petition referred to the principle of a local Neighbourhood Plan, an Area Action Plan could be a more practical solution. It was recognised that there was a need for more voice for residents and there was already a conversation about the 'democratic deficit' in the Winchester town area with regard to planning matters. Councillor Porter acknowledged the numbers of Houses of Multiple Occupation / shared houses in the town area and recognised that it was crucial that there was good design in house building and 'quality of place' and development not driven by developer's profit. The Local Plan was crucial to assist planning decisions. Councillor Porter concluded that the matters set out in the petition would be considered further at a future meeting of the Winchester Town Forum and at Cabinet if required.

RESOLVED:

That the matters raised in the petition be referred to future a meeting of the Winchester Town Forum and Cabinet if required.

6. **REPORT OF THE MONITORING OFFICER: CHANGES TO THE CONSTITUTION**

Councillor Thompson, Leader, moved that the Recommendations in Report CL145 be approved and adopted (seconded by Councillor Learney).

Council proceeded to ask questions and debate the matters in the Report.

AMENDMENT (1) Councillor Lumby (2) Councillor McLean

Change Recommendation 1 of the Report to read as follows (delete words in strikethrough, and add additional wording shown as bold):

1. That Council introduce a public question and answer session at the beginning of business at ordinary meetings of Full Council with Councillor questions **following directly after public questions and answers** ~~moved to later in the agenda in order to discharge the matters in front of Full Council in a timely manner.~~ That the necessary changes to the Council Procedure Rules in the Constitution are made to effect these changes.

AMENDMENT LOST

RESOLVED:

1. That Council introduce a public question and answer session at the beginning of business at ordinary meetings of Full Council with Councillor questions moved to later in the agenda in order to discharge the matters in front of Full Council in a timely manner. That the necessary changes to the Council Procedure Rules in the Constitution are made to effect these changes.
2. That Council agree to the further changes to the constitution as set out at Appendix A to Report CL145.

That Council unanimously agrees to suspend Council Procedure Rule Part 4.3, Overview and Scrutiny Procedure Rule, paragraph 3 restricting the number of members who may sit on more than one Committee for one year effective immediately until the next Annual Meeting of Council.

7. **EXEMPT BUSINESS:**

RESOLVED:

1. That in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
2. That the public be excluded from the meeting during the consideration of the following item of business because it is likely that, if members of the public were present, there would be disclosure to them of exempt information as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
8	Exempt Minute of the Ordinary Meeting of the Council held on 28 February 2019) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)

8. **TO CONFIRM THE EXEMPT MINUTE OF THE ORDINARY MEETING OF THE COUNCIL HELD ON 28 FEBRUARY 2019**

Councillor Gottlieb left the room during consideration of this item.

RESOLVED:

That the exempt minutes of the Ordinary Meeting of the Council held on 28 February 2019 be approved and adopted.

The meeting commenced at 7.00 pm and concluded at 9.25 pm

Chairperson

CAB3160
CABINET

REPORT TITLE: ESTABLISHING THE WINCHESTER HOUSING COMPANY

18 SEPTEMBER 2019

REPORT OF PORTFOLIO HOLDER: Cabinet Member for Housing and Asset Management – Cllr. Kelsie Learney

Contact Officer: Richard Burden Tel No: 01962 848136

Email rburden@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report seeks approval for the establishment of a wholly owned housing company to deliver:

- Units for sub-market rent let on non-secure tenancies
- Shared ownership accommodation
- And where required, the sale of units for open market sale.

It is envisaged that the company will be incorporated in October 2019. It will function as an ethical landlord, providing a more secure offer than the private rented sector currently delivers.

It should be noted that potential housing company developments will be individually assessed on their financial viability and suitability; and that the primary focus will remain on delivering affordable/social rented units through the Housing Revenue Account (HRA), which affords significant efficiencies.

RECOMMENDATIONS:

To Cabinet:

1. That the appointment of three senior officers to the Board of Directors be approved:
 - a) Strategic Director – Place

- b) Corporate Head of Housing
 - c) Housing Finance & Resources Manager.
2. That the approval process for housing company development opportunities be approved; with authority to agree Terms of Reference for the Housing New Build Panel delegated to the Corporate Head of Housing in consultation with the Portfolio Holder for Housing and Asset Management. This proposal was considered and supported by the Business and Housing Policy Committee on 18 June 2019.
 3. That the £10 million General Fund expenditure be approved on the basis of a 25:75 equity/loan split, to be drawn down as the housing company requires the funds, and to be funded by capital receipts and prudential borrowing proportionally within each tranche.
 4. That the Partnered Home Purchase budget be reduced by £1.2m in order to finance the equity purchase, noting that the Council may increase this budget in the future subject to future capital receipts.

To Council:

5. That Council gives permission to establish a company limited by shares and wholly owned by the Council to deliver and manage units for sub-market rent, shared ownership accommodation and units for outright sale.
6. That the Council approves the establishment of the Housing Company Scrutiny Panel and nominates three members to sit on the Panel.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Delivering quality housing with a balanced range of tenures is a commitment within the Council Strategy 2017 – 2020. Whilst new housing for affordable rent and shared ownership can be delivered through the HRA, other options such as certain types of sub-market rent and alternative tenures are best delivered in a company structure.
- 1.2 Establishing a housing company to deliver a wide range of housing tenures to meet the needs of the market is also a key priority for the Housing Strategy 2017 – 2023, and it supports priorities in the emerging Preventing Homelessness and Rough Sleeping Strategy 2019 – 2024.

2 FINANCIAL IMPLICATIONSFunding and impact on the General Fund

- 2.1 CAB3139 (HSG) approved a combined loan facility and equity shareholding of £10m from the General Fund to support the company's development activity. This reflected legal advice which stated that to avoid state aid implications any funding should be a mix of debt and equity. As a result, the business plan assumes a level of 75% debt to 25% equity, resulting in a £7.5m loan facility and a £2.5m equity shareholding from the General Fund.
- 2.2 As the housing company draws funds from the General Fund, these will be in the proportion detailed above; i.e. 25% share purchase and 75% loan. Eventually, and subject to the availability of retained profits, annual dividend payments will be due from the housing company to the General Fund.
- 2.3 The loan element from the General Fund will be repaid by the housing company on an annuity basis at an interest rate based on the European reference rate plus 400 basis points. As at 1st August 2019 the UK reference rate was set at 1.09% so the interest rate would be 5.09%. This is to ensure that the Council does not fall foul of state aid rules.
- 2.4 The General Fund will finance the loan element via prudential borrowing and, as there is no immediate return to cover the cost of borrowing, will finance the equity purchase via capital receipts.
- 2.5 An illustrative financial business case, summarised at **Appendices A and B** demonstrates that the housing company is financially viable and that the General Fund will receive a positive return on the equity/loan investment. Once the company has been established, individual schemes will be assessed against a series of financial viability tests for both the company and General Fund prior to their being approved.

Partnered Home Purchase (PHP) Scheme

- 2.6 CAB3139 (HSG) proposed that this scheme, which was created in 2018 to provide open market shared ownership accommodation be transferred from the General Fund to the housing company once it commences trading.
- 2.7 This proposal has subsequently been reviewed and due to the inherent risk of losses arising on sales in the event of a falling market, the scheme will remain within the General Fund. The PHP scheme allows owners to “staircase” (increase their share of the property) by buying additional market value shares from the Council up to a maximum of 100%. In the event of a market fall, this could result in a capital loss. As the housing company’s overall balance sheet will be proportionally much lower, it is less able than the General Fund to absorb any potential loss. However, by establishing a housing company, it does present the opportunity for the company to purchase a property and re-let it should the owner be in arrears with their mortgage provider, thereby protecting the Council’s interest.
- 2.8 Furthermore, the General Fund’s capital receipts reserve is forecast to fall to £1.3m of uncommitted receipts by the end of 2020/21 and so in order to finance the purchase of equity from capital receipts it will be necessary to reduce the current PHP budget by £1.2m to £3.3m. It is estimated that the total PHP pilot will result in up to £2m of expenditure (£1.2m to date) and therefore £1.3m will remain should the Council wish to continue the scheme after the review of the pilot. If the Council generates further receipts in the future from the sale of its assets, it would be possible to increase the PHP budget to its original level.

Units for open market sale

- 2.9 Financial modelling has demonstrated the need for a flexible approach to tenures with some units for open market sale delivered alongside those for sub-market rent and shared ownership.
- 2.10 The primary purpose of providing housing for sale will be to cross-subsidise sub-market development. It will also provide the company with greater flexibility to respond to market fluctuations by, for example, converting rented accommodation to market sales in order to re-invest receipts into additional sub-market development.
- 2.11 Updated legal advice has confirmed that the company can provide accommodation for both rent and sale on an ethical rather than commercial basis, and as such is unlikely to have the “commercial character” necessary to fall outside of the EU procurement rules. This point is addressed in further detail at paragraphs 3.8 – 3.10.

Tax

- 2.12 CAB3139 (HSG) included tax advice from Trowers and Hamlins LLP which addressed the implications for the company in respect of corporation tax

(including chargeable gains), VAT, SDLT, Construction Industry Scheme (CIS), PAYE and tax on enveloped dwellings (ATED).

- 2.13 This advice has been revisited in light of the need for the company to deliver units for open market sale, and it is unchanged.
- 2.14 Further tax advice in relation to the administration and practical application of VAT & corporation tax will be obtained from tax advisors PSTax prior to the commencement of trading.

Financial business case

- 2.15 A summary of the five year financial business case for the housing company is shown at **Appendix A**. The business case demonstrates that the company is financially viable, generating income that is sufficient to cover operational costs from the General Fund, including loan interest and management support. The plan also includes assumed corporation tax payments on post tax profits and dividend payments to the General Fund where there is sufficient post tax profit available.
- 2.16 As detailed in paragraph 2.5, the financial business case is an illustrative example and does not include real schemes. The plan demonstrates that the housing company can be financially viable with funding of £10m (£7.5m loan and £2.5m equity). In arriving at the key assumptions, a number of factors were considered, including average build cost, average rents, management & maintenance costs and assumed interest rates. The key assumptions are summarised in **Appendix A**.
- 2.17 Rents are assumed to be a minimum of 90% of market rent and will therefore be above local housing allowance levels which are a maximum of 80% market rent. The annual operating costs for the housing company will include a number of recharges from the General Fund. The loan facility from the General Fund assumes an interest rate of 5.09%, as the rate needs to be based on market rates to comply with state aid requirements. The recharge of management costs and corporate overheads include a margin on cost of 5% and VAT where applicable. Dividends, arising from the General Fund shareholder equity investment, are assumed to be 5% of post tax profits each year. As the housing company is liable for corporation tax, this is assumed to be 17% of the pre tax profit.
- 2.18 In the business case the housing company generates a post tax profit each year including a higher profit in year two of £245k arising from the sale of open market properties. Total financing reaches a peak of £9.75m in year three and then reduces as the housing company has the ability to begin to repay the outstanding debt. As a result of the repayments, Interest payable on the loan also begins to reduce.
- 2.19 The main focus of the business case is to provide residential sub-market rent properties to be let on flexible short term tenancies. In order to provide additional funding to support this activity, the business case assumes the sale

of eight open market properties in year two. The sale profits increase reserves and provide funding to support the annual operating costs going forward.

- 2.20 In addition to acquiring properties for long term sub market rent, the plan also assumes income resulting from the housing company leasing properties on a short term basis from either the HRA or General fund.
- 2.21 When the housing company initially appraises new development schemes it will need to consider the increased cost of loan funding and operational costs when assessing the financial viability. Rents will also need to be above local housing allowance levels to enable schemes to pass a series of robust viability tests. These tests will include achieving a positive NPV, ensuring build costs are below market values and there is sufficient operational income to cover the cost of interest
- 2.22 The business case has also considered the financial impact on the general fund of the proposed shareholder equity investment and loan facility. **Appendix B** demonstrates that the General Fund can achieve a positive financial return on its investment.
- 2.23 As the General Fund must provide a loan on commercial terms to the housing company to avoid falling foul of state aid rules, the rate of interest charged on the loan facility is anticipated to be 5.09% (see paragraph 2.3). This is more than double the interest rates the General Fund is currently able to obtain on borrowing from the PWLB.
- 2.24 The General Fund also benefits from a mark up on the management and maintenance costs that it recharges to the housing company, currently assumed to be 5% of the base cost. Dividends arising from the shareholder equity investment are assumed to be 5% of the post tax profit, although in reality it will be up to the Board of Directors to determine the level of dividend dependent on the level of post-tax profit.
- 2.25 The business case assumes that the General Fund will finance the £2.5m shareholder equity investment from its capital receipts reserve. The loan to the housing company will be financed from an increase in the General Fund's Capital Financing Requirement (borrowing need) and along with the overall capital programme, is likely to require that the Council increase its external borrowing.
- 2.26 The business case assumes that land will be acquired at market value, although the intention will be to acquire land from the HRA at less than best consideration wherever possible. Any transfers of land will take into consideration all housing act consents and state aid implications.
- 2.27 The business case also assumes the housing company will contract with the HRA in most cases to build residential properties. The company will also be able to contract directly with a private developer for this purpose, although this will likely require a tender process as the housing company is likely to be a

contracting authority (as defined in the Public Contracts Regulations 2015) and therefore subject to EU procurement rules.

3 LEGAL AND PROCUREMENT IMPLICATIONS

Legal

- 3.1 CAB3139 (HSG) noted that legal advice had confirmed that since the Council wishes to offer a range of market and sub-market tenures and to be able to interchange between such tenures in order to respond to the market with agility, the use of a company would be the best means to achieve its objectives. The Council is entitled to rely on section 1 of the Localism Act 2011 in establishing the company for such purposes.
- 3.2 Section 1 of the Localism Act permits local authorities to do anything an individual may do, subject to a number of limitations. This is referred to as the “general power of competence” which an authority may exercise for its own purpose, for a commercial purpose and/or for the benefit of others. In exercising this power, it is still subject to its general duties (such as the fiduciary duties it owes to its rate and local tax payers) and to public law requirements to exercise its power for a proper purpose.
- 3.3 Legal advice also addressed the powers to transfer land to the company, powers to fund the company and state aid compliance.
- 3.4 CAB3139 (HSG) also noted that further legal guidance would be required to finalise the memorandum and articles of association, the shareholder agreement and other key documents. The proposal to delegate authority to the Corporate Head of Housing in consultation with the Legal Services Manager and the Leader with Portfolio for Housing Services to progress these documents was approved (recommendations 7 and 8).

Land acquisition

- 3.5 CAB3139 (HSG) confirmed that the housing company can acquire land from the HRA, General Fund or externally. Land acquired from the General Fund will generally be at best consideration, as will land acquired externally. Land from the HRA can be acquired at an “undervalue” subject to conditions outlined in section 25 of the Housing Act 1988; or with the approval of the Secretary of State and with the 2003 General Consent if “secures the promotion or improvement of the economic, social or environmental wellbeing of its area”.
- 3.6 Updated legal advice has confirmed that any land transferred from the HRA for the purposes of delivering units for market sale would need to be at market value. This could also include overage provisions, which would entitle the HRA to a proportion of the increase in the value of the land once planning has been obtained.

Procurement

- 3.7 Legal advice has confirmed that where the purpose of establishing the housing company is to meet the needs of the community rather than generate a financial return, it is unlikely to have the “commercial character” required in order to fall outside of the definition of a “body governed by public law” in the Public Contracts Regulations 2015. This would mean that the company would therefore fall within the scope of EU procurement rules.
- 3.8 If the company is a “Teckal” subsidiary, land may be transferred from the Council to the company with development obligations in compliance with EU procurement regulations.
- 3.9 In order for the company to meet the criteria for “Teckal” the Council must exert control over it in a manner similar to that exerted over its own departments, and at least 80% of the company's activities must be undertaken for the Council. Legal advice has confirmed that provided the governance arrangements between the company and the Council reflect these criteria and the company is entrusted with the obligation to deliver the housing on behalf of the Council, the company is likely to qualify as a “Teckal” subsidiary.

4 WORKFORCE IMPLICATIONS

- 4.1 The marginal capacity of existing teams will be utilised to support company activity charged on a cost recovery contractual basis at “arms length”, thereby generating additional income for the Council.
- 4.2 Additional resources may be required as housing company development increases. This may include employing staff to support the development of new homes and housing company administration.
- 4.3 It is proposed that three senior officers be appointed to the Board of Directors of the company. They will not receive any additional remuneration. These proposals, and the role of the directors are outlined in further detail at section 12.4 & 12.5 of this report.
- 4.4 CAB3139 (HSG) also proposed (recommendation 6) that there be flexibility to appoint additional and possibly remunerated independent directors should a future need eventually arise. The proposal was approved by Cabinet (HSG).

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The housing company will acquire land from the HRA or General Fund. It could also acquire land from external developers but there could be SDLT and VAT issues associated with the final cost. To construct the properties, it will contract either with the HRA or a private developer.
- 5.2 When appropriate, the housing company will lease properties from both the HRA and the General Fund for short to medium term use, and potentially purchase properties on the open market.

6 CONSULTATION AND COMMUNICATION

- 6.1 Officers have liaised extensively with other local authorities who have established housing companies. This has given them a clear picture of the different approaches to governance, and how company secretary responsibilities are being discharged. Officers are continuing this dialogue in order to explore how operational matters have been addressed.
- 6.2 Proposals in respect of the governance structure and the process for approving housing company development opportunities were considered and supported by the Business and Housing Policy Committee on 18 June 2019.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 As with all new development, properties will be built to a high standard and take into consideration the impact of the carbon footprint.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 All policies and procedures (for example allocations and lettings) will be subject to a full equality impact assessment prior to implementation.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

- 10.1 Key risks and opportunities are outlined below.

Risk	Mitigation	Opportunities
<i>Property</i>		
High and increasing development costs	Detailed financial modelling based on current building costs and stress-testing for price increases	Property values increase Flexibility and control of the portfolio
Property values fall	The business plan recognises that short-term fluctuations in the market are inevitable but the outturn is positive over the length of the plan	
Insufficient demand	Each development will be subject to its own business case which will identify a	Evidence demonstrates that there is a consistent demand for sub-market

Risk	Mitigation	Opportunities
	suitable mix of tenure reflecting current demands in the market	rented housing
<i>Community Support</i>		Capacity to meet housing need that cannot be met by the HRA Raising standards in the private rented sector
<i>Timescales</i> Company not established in time to support specific initiatives	Resources are in place to ensure that the company is incorporated in October 2019.	
<i>Project capacity</i> N/A		
<i>Financial / VfM</i> The housing company is not profitable and is unable to pay dividends to the Council and/or defaults on loan interest and repayments, resulting in the Council's Investment not achieving the projected return. Tax rules/HMRC requirements impacting on viability Future Government restrictions on prudential borrowing rules to limit allowable public sector debt forces the housing company to borrow at higher interest rates Brexit - worst case scenario: shortage of	The Housing New Build Panel will require detailed financial modelling by the housing company, including sensitivity analysis, to ensure careful selection of investment options that excludes those that fall short of the necessary viability criteria. Additional tax advice detailed within CAB3139 (HSG) at exempt Appendix B The housing company would need to consider commercial debt in order to continue its expansion taking into consideration any effect this may have on the viability of individual schemes Potential development is continually appraised	Generation of profit on Disposal Maximise available tax relief where possible Potential receipt of dividends Potential reduction in borrowing costs for the General Fund if gilt yields, and therefore PWLB borrowing costs, fall leading to greater margin for the General Fund

Risk	Mitigation	Opportunities
labour and materials; house price downturn; rising demand for affordable housing as a result of rising unemployment; rising cost of loan finance	before contracts are agreed and any loan finance is based on fixed rates	
<i>Legal</i> Council acting outside of relevant powers Personal risk arising from the duties and liabilities of company directors	External specialist legal advice on company governance detailed within CAB3139 (HSG) at exempt Appendix C Appropriate insurance against claims for negligence, breach of trust etc. will be obtained	
<i>Innovation</i> N/A		
<i>Reputation</i> Reputational impact of the company on the council Reputational damage in the event of the company's failure	A marketing and communications plan will be developed to ensure that the branding and image of the company contribute to a positive view of the Council's services Risks reviewed and evaluated on a regular basis as part of corporate risk management process	
<i>Other</i> N/A		

11 SUPPORTING INFORMATION:

Background

- 11.1 The development of new affordable housing is a key priority in the Council Strategy 2017-2020, and the new build programme was extended following the removal of the HRA debt cap in October 2018. In addition, the Council works closely with its housing association partners to maximise their development activity within the district.
- 11.2 The Council Strategy also recognises the need for a range of housing products in order to meet the evolving needs of the market which can best be delivered through a company structure.
- 11.3 In March 2017 CAB2911 (HSG) set out an initial proposal to establish a dual structure with a development company for commercial activity and a subsidiary charitable arm to deliver some affordable housing for purchase by the Council through the HRA. However, financial modelling demonstrated that this would be significantly more expensive than the current approach where the HRA directly funds development on Council land. As a result, in November 2017 CAB2990 (HSG) proposed the establishment of a single company limited by shares to focus specifically on the delivery of sub-market rent.
- 11.4 Following approval of this proposal, rising costs made a review of the original financial modelling a priority. In March 2019 CAB3139 (HSG) confirmed that the single company model remained viable.

Local context

- 11.5 CAB3139 (HSG) noted the considerable demand for affordable housing in the Winchester district and the difficulties faced by households who are dependent upon the private rented sector. This includes but is not limited to:
- Hampshire Home Choice applicants who have been assessed as medium or low priority. These households will potentially face a longer wait for accommodation than those with higher priority and often look to the private rented sector as an alternative. For example, in the twelve months to 31 March 2019 the average waiting time for a three-bedroomed home for a medium priority family was four years and eleven months
 - Households accepted as homeless by the Council. The Council's duty to homeless applicants can be discharged by identifying suitable private rented housing, but there is little suitable accommodation available
 - Households who are threatened with homelessness
 - Those who would be owner occupiers but lack the capital required for a deposit.
- 11.6 All of these households are potentially confined to the private rented sector for the long-term.

12 GOVERNANCE STRUCTURE

- 12.1 It is envisaged that the governance structure of the housing company will consist of two delegations acting to oversee the business plan and overall strategic direction of the company. These two delegations act as the Board of Directors and a specific Housing Company Scrutiny Panel¹.
- 12.2 The Housing Company Scrutiny Panel will consist of three elected members appointed by full Council. It will meet twice a year to oversee company activity, provide strategic guidance and advise full Council in its capacity as shareholder. Authority to finalise the draft Terms of Reference for the panel was delegated to the Corporate Head of Housing in consultation with the Legal Services Manager and the Leader with Portfolio for Housing Services in March 2019 (CAB3139 (HSG), recommendation 8.). A further copy of the draft Terms of Reference is included within the background documents to this paper.
- 12.3 In accordance with the Companies Act 2006 there is no necessity for a named company secretary. The responsibilities that would sit with the secretary must still be discharged, and become by default, the directors'. They include: ensuring compliance with corporate governance and other financial and legal regulations; arranging directors' and shareholder meetings; and the filing of returns with Companies House. This role will be supported by the Council's Legal Services and Finance teams.
- 12.4 It is proposed that the Board of Directors consist of the following three senior officers:
- Strategic Director – Place
 - Corporate Head of Housing
 - Housing Finance & Resources Manager.
- 12.5 Once appointed, a director has a number of duties and liabilities under general company law:
- A fiduciary duty to act honestly, in good faith and in the interests of the company
 - A general duty to take reasonable care and skill, and to exercise independent judgement when dealing with the company's affairs
 - A duty to avoid conflict of interest, not make a private profit from the position, and to ensure that the legislation contained in the Companies Acts is complied with
 - Personal liability if the company acts outside it's powers with the prior knowledge of the director
 - Liability for breach of trust

¹ Initially referred to as the Shareholder Advisory Group (CAB3139 (HSG) March 2019)

- Liability for losses sustained if a director abuses their position; and/or fails to act in the best interest of the company; and/or fails to exercise the requisite level of skill and care
 - Liability to contribute to the company's assets if a director knows or ought to know that there is no reasonable prospect of the company avoiding liquidation
 - Liability for fraudulent trading
 - Liability for a fine and/or making good losses where cheques and other documents do not bear the company's name
 - Liability for damages arising from the unauthorised activities of a director.
- 12.6 The Council's own insurance does not provide cover for officers acting as directors. However, the company will be able to obtain insurance for its directors against claims for negligence, breach of trust etc. Directors will also be provided with an appropriate level of training, to be sourced externally.
- 12.7 Authority to finalise the memorandum and articles of association, and the shareholder agreement was delegated to the Corporate Head of Housing (in consultation with the Legal Services Manager, the Leader with Portfolio for Housing Services, and external legal advisors) in March 2019 (CAB3139 (HSG), recommendation 7).
- 12.8 A summary of the governance structure is provided below:

	Function
Sole Shareholder	Full Council taking decisions reserved for the shareholder in the company's articles of association and shareholder agreement. This would include approval of the annual company budget and business plan.
Housing Company Scrutiny Panel	Three elected members appointed by the Shareholder to oversee company activity and provide strategic guidance. Senior officers will attend panel meetings as required.
Board of Directors	Three senior officers appointed by the Shareholder and legally responsible for the company's performance, accounts and records.
Company Secretary	Duties will be administered by the Legal Services team in accordance with the requirements of the Board of Directors.
Operational Management Team	Identified by the Board of Directors and responsible for the discharge of any duties and responsibilities delegated by the Board of Directors.

13 PROCESS FOR THE APPROVAL OF HOUSING COMPANY DEVELOPMENT OPPORTUNITIES

- 13.1 It is proposed that all potential development opportunities for both the HRA and the housing company be appraised initially by the New Homes Delivery

team. If the opportunity is considered viable, the Housing New Build Panel (consisting of the strategic directors and the Cabinet Member for Housing and Asset Management) will decide whether it progresses through the HRA or the housing company.

- 13.2 If the housing company is considered to be the most appropriate vehicle, an outline business case will be prepared with input from the Housing Company Scrutiny Panel prior to submission to the Board of Directors. If the opportunity is rejected by the Board of Directors the outline business case may be amended and resubmitted, it may progress as an HRA scheme instead, or it may be shelved altogether.
- 13.3 This proposal was considered and supported by the Business and Housing Policy Committee on 18 June 2019. A flow diagram illustrating this process is attached at **Appendix C**.

14 NEXT STEPS

- 14.1 A summary of the next steps to be taken is set out in the table below.

Governance structure
Company Secretary responsibilities: <ul style="list-style-type: none"> ▪ Identification of internal resources, processes and training
Finalise key governance documentation: <ul style="list-style-type: none"> ▪ Memorandum and articles of association ▪ Incorporation of Company at Companies House ▪ Shareholder agreement ▪ Terms of reference for Housing Company Scrutiny Panel, Housing New Build Panel, Board of Directors and Operational Management Team ▪ Service level agreement for services provided by the General Fund and the HRA ▪ Funding agreements - loan facility and equity ▪ Development agreement – housing company/HRA
Processes for, and the appointment/identification of: <ul style="list-style-type: none"> ▪ Housing Company Scrutiny Panel ▪ Board of Directors ▪ Operational Management Team
Financial
Company bank account
Procure and Appoint external auditor
HMRC registration for relevant taxes
Obtain directors' & officers insurance (employers and public liability)
Review business plan prior to commencement of trading
Communications and marketing
Communications and marketing plan
Web site
Company name
Branding and logo
Operational policies, procedures and service standards (Including Equality Impact Assessments where required)
Process for approving housing company development opportunities

Corporate recharge process
Allocations and lettings: <ul style="list-style-type: none"> ▪ Marketing of vacant homes ▪ Recording and assessment of applications for accommodation ▪ Offering a tenancy ▪ Tenancy sign-up
Housing management: <ul style="list-style-type: none"> ▪ Service standards ▪ Tenants' handbook and other information ▪ Tenancy management ▪ Estates services ▪ Rent collection and accounting ▪ Tenancy termination
Property services: <ul style="list-style-type: none"> ▪ Service standards for responsive repairs, cyclical and planned maintenance ▪ Contractor procurement and selection (if appropriate)
Procurement
Accounting & systems: <ul style="list-style-type: none"> ▪ Orchard ▪ SharePoint ▪ Keystone

15 OTHER OPTIONS CONSIDERED AND REJECTED

- 15.1 CAB2911 (HSG) considered the more complex option of dual company structures, one a company limited by guarantee and one in the form of a community benefit society. Whilst the business case for the dual structure was marginally more positive than the single company structure, set up, management and governance would be more complex with little or no immediate benefits to the Council.
- 15.2 As a result, both CAB2990 (HSG) and CAB3139 (HSG) recommended that initially the Council establish a single company structure. This would not preclude the establishment of a subsidiary charitable company at a later date to exploit potential tax advantages.
- 15.3 With regard to governance, the Council's Scrutiny Committee could be delegated to undertake the overview function for the Council. However, a specific panel is considered more appropriate and in accordance with good practice elsewhere.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Business and Housing Policy Committee 18 June 2019 – Winchester District Housing Company: Presentation

CAB3139 (HSG) 20 March 2019 – Establishing the Winchester Housing Company

CAB2990 (HSG) 22 November 2017 – Establishing Local Housing Companies to Support New Homes Development

CAB2911 (HSG) 22 March 2017 – Establishing Local Housing Companies to Support New Homes Development

CAB2626 (HSG) 1 October 2014 – Options for Increasing the Supply of Affordable Housing

Other Background Documents:-

Draft Terms of Reference for Housing Company Scrutiny Panel

APPENDICES:

Appendix A - Housing Company Financial Business Case

Appendix B - General Fund Financial Impact

Appendix C - Development Approval Process flow diagram

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Appendix A - Housing Company Financial Business Case

Note: this is an illustrative example only and is based on delivering 57 properties for Sub Market Rent & 8 properties for Outright Sale.

The Housing Company, once operational, will assess the actual financial implications for each individual project on a case by case basis.

The financial business case is based on the following broad assumptions:

Rental Income - Minimum of 90% of Market Rent

Loan Interest Rate - 5.09%

Management & Maintenance to be provided by the General Fund and recharged at a margin of 5% on cost.

Dividends to the General Fund at 5% of annual post-tax profits.

Corporation tax at 17% of pre-tax profits

a) Profit & Loss Account

	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 1	Year 2	Year 3	Year 4	Year 5
	£000s	£000s	£000s	£000s	£000s
<u>Income</u>					
Net Rent	52	393	670	691	705
<u>Expenditure</u>					
Management	(1)	(28)	(39)	(40)	(41)
Maintenance	(2)	(26)	(40)	(41)	(43)
Depreciation	(9)	(59)	(97)	(100)	(102)
Overheads	0	0	0	0	0
Direct Costs	(12)	(113)	(177)	(181)	(186)
Outright Sales - Profits	0	270	0	0	0
Profit before Interest & Charges	40	551	494	510	520
Interest Payable	(31)	(226)	(374)	(373)	(363)
Interest Receivable	3	3	3	3	3
Interest & Charges	(28)	(223)	(371)	(370)	(360)
Profit before Taxation	12	328	123	140	159
Corporation Tax	(1)	(69)	(44)	(47)	(50)
Profit after Taxation	12	259	79	93	109
Dividends	(1)	(13)	(17)	(21)	(25)
Retained Profit	11	245	62	73	84
<u>Sub Market Units</u>					
Per Year	5	32	20		
Cumulative	5	37	57	57	57
Outright Sale Units		8			

b) Balance Sheet

	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 1	Year 2	Year 3	Year 4	Year 5
	000's	000's	000's	000's	000's
<u>Fixed Assets</u>					
Properties	995	6,776	11,125	11,403	11,688
Net Current Assets	349	268	111	89	57
Total Assets	1,343	7,043	11,235	11,491	11,745
Equity Financing	338	1,604	2,500	2,500	2,500
Loan Financing	991	4,467	7,254	7,060	6,842
Total Financing	1,329	6,071	9,754	9,560	9,342
<u>Capital & Reserves</u>					
Revenue Reserves	11	256	319	391	476
Revaluation Reserve	3	716	1,162	1,540	1,927
Shareholders Funds	14	972	1,481	1,931	2,403
Capital & Reserves	1,343	7,043	11,235	11,491	11,745

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Appendix B - General Fund Impact Financial Business Case

Note: this is an illustrative example only and is based on delivering 57 properties for Sub Market Rent & 8 properties for Outright Sale. The Housing Company, once operational, will assess the actual financial implications for each individual project on a case by case basis.

The financial business case is based on the following broad assumptions:

Interest Rate payable on PWLB loans 2.60%

Interest Rate receivable on Housing Company Loan - 5.09%

Management & Maintenance recharged to Housing Company at a margin of 5% on cost.

Shareholder Equity financed from other capital receipts

Dividends assumed to be at 5% of housing company post-tax profits.

a) Revenue Impact

	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 1	Year 2	Year 3	Year 4	Year 5
	£000s	£000s	£000s	£000s	£000s
<u>Revenue Income</u>					
Interest Receivable on Housing Company Borrowing	31	226	374	373	363
Income from Services Charged to Housing Company	2	41	60	62	63
Dividends Received	0	1	13	17	21
	33	268	448	451	447
<u>Revenue Expenditure</u>					
Interest payable on PWLB loan	(15)	(114)	(185)	(179)	(168)
Expenditure on Services Charged to Housing Company	(2)	(39)	(58)	(59)	(60)
Minimum Revenue Provision (MRP)	0	(21)	(86)	(152)	(158)
	(17)	(174)	(329)	(390)	(387)
Net Income/Expenditure	16	94	119	61	60

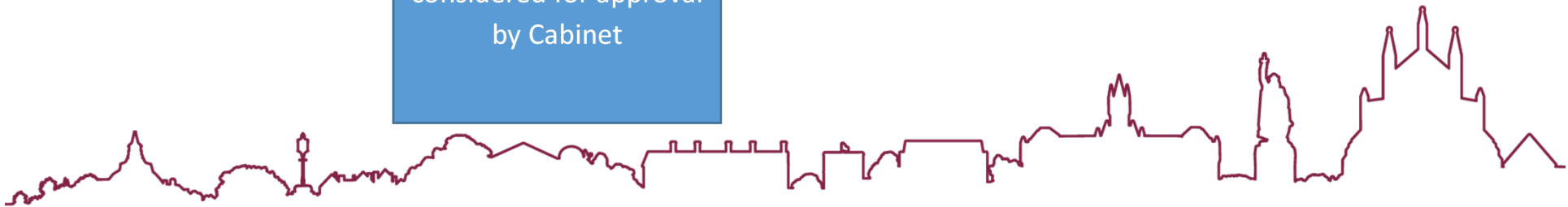
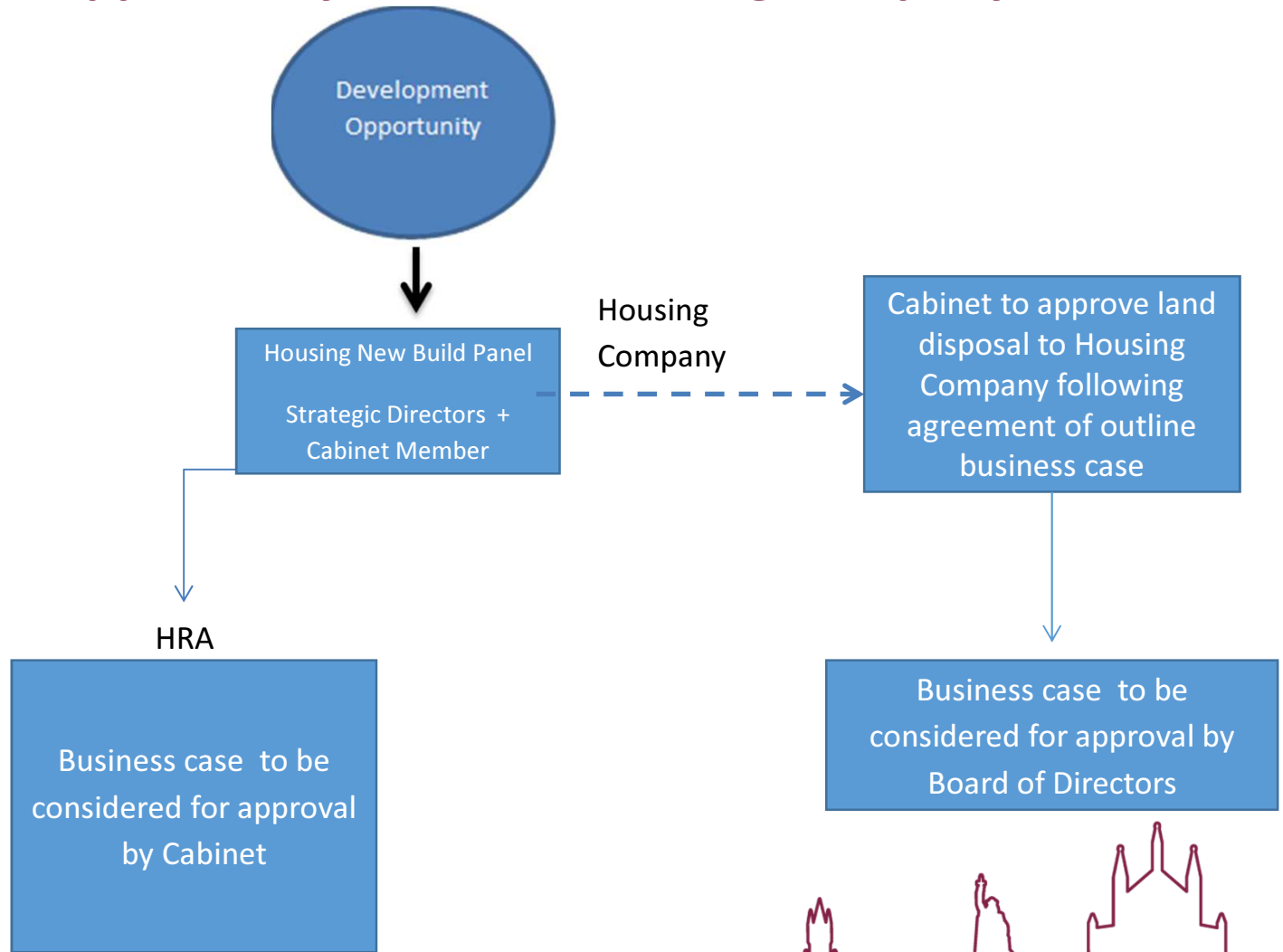
b) Balances

Shareholder Equity	338	1,604	2,500	2,500	2,500
Debtors with Housing Company	991	4,467	7,433	7,254	7,060
	1,329	6,071	9,933	9,754	9,560
General Fund Balances	16	110	229	290	350
PWLB Loan Balances	976	4,336	7,097	6,705	6,292
Capital Adjustment Account	338	1,625	2,607	2,759	2,917
	1,329	6,071	9,933	9,754	9,560

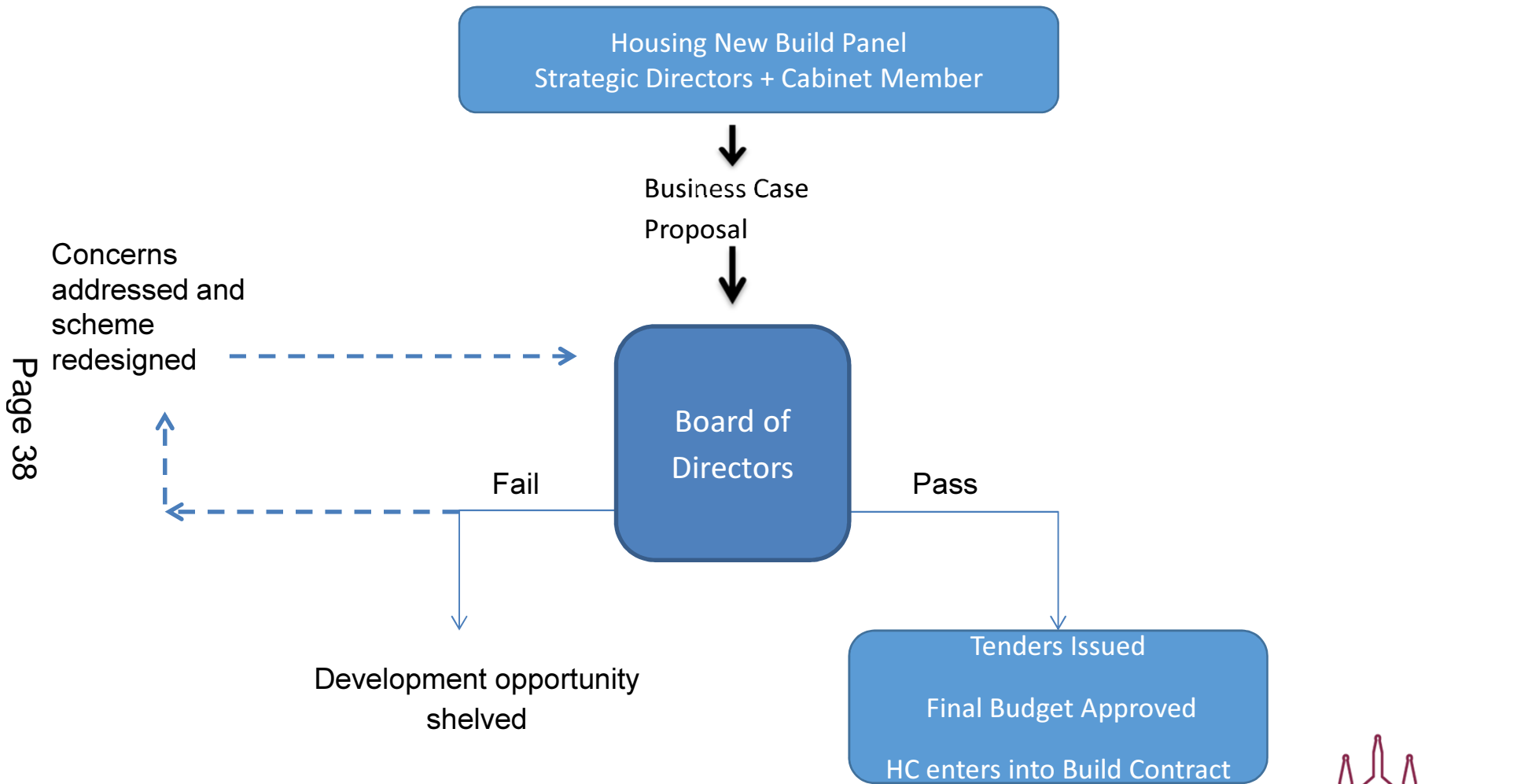
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Development opportunity – HRA or Housing Company?

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Housing Company Development Scheme



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EXTRACT OF MINUTES

CABINET

28 AUGUST 2019

1. **STATION APPROACH PROPOSALS FOR DELIVERY AND FURTHER PUBLIC REALM DEVELOPMENT (LESS EXEMPT APPENDICES)**
(Report CAB3172 refers)

Cabinet noted that Appendix 9 (Minute extract of the Scrutiny Committee held on 14 August 2019) had not been notified for inclusion on the agenda within the statutory deadline. The Chairperson agreed to accept this item onto the agenda as a matter requiring urgent consideration in order that regard be had to their content in reaching its decision.

Councillor Weir introduced the report and emphasised that the scheme had received support from the Local Enterprise Partnership, Hampshire County Council, the Hampshire Chamber of Commerce and the Winchester Business Improvement District. Councillor Weir noted that the report had been considered by The Scrutiny Committee at the additional meeting held on 14 August 2019. She thanked Councillor Learney for attending the meeting on her behalf and Members of The Scrutiny Committee for their time in the consideration of the report.

Councillor Learney emphasised that The Scrutiny Committee had supported the principles of the report. However, they had raised a number of comments and concerns. Councillor Learney stated that primarily, these related to market timing, the Local Enterprise Partnership (LEP) funding and scrutiny of the desired outcome with baseline financial returns. The minute extract was set out in Appendix 9 to the report (less exempt minute).

In addition, Councillor Learney made reference to a representation received from Councillor Gottlieb which had also been taken into consideration.

In response Councillor Learney detailed some amendments that were proposed to the recommendations of the report for consideration by Cabinet, as follows:

Amended report recommendation 10

Removal of the wording 'Carfax site' from this report recommendation.

New additional report recommendation 12 (under 'Approves'):

12. That the Strategic Director: Place be directed to develop a schedule of and process for spend and payments for the LEP grant and assists with the active management of the risk of grant repayment.

Amended report recommendation 14 (previously recommendation 13, as set out in the report)

14. That detailed arrangements for the purchaser selection process for disposal are subject to a further report to Cabinet, having considered the specific comments of the Scrutiny Committee in this regard.

At the invitation of the Leader, Katie Kopec, Director – Strategic Development Consulting at JLL (the Council's Strategic Development Advisors), addressed Cabinet in respect of market timing opportunities. She emphasised that there was high demand for top quality Grade A office space in the district, with the availability of adequate space currently restricted. Research had been carried out which indicated that there was significant demand from businesses looking to secure greater space in structurally sound new offices where they are currently occupying aging facilities and where lease renewals were becoming due.

Mark Baulch, Dr Paul Spencer, Chris Gillam, Patrick Davies and Kate Macintosh spoke during public participation and Councillors Miller and Godfrey addressed Cabinet, at the invitation of the Leader, as summarised below:

Mark Baulch (Hampshire Chamber of Commerce)

- Supportive of the Station Approach development for several years;
- Businesses continue to grow and the new development was much needed for economic growth in order for Winchester to remain an area that was 'open for business';
- Will create new jobs, generate income and revenue from Business Rates;
- Car Parking – although close to the train station it was considered that parking on site would still be a necessity. Urged the Council to think about the competition in other areas in this respect i.e. Nelson Gate in Southampton.

Dr Paul Spencer (Winchester Business Improvement District)

- Supports Station Approach development and proposals for the Carfax scheme;
- Grade A office space would require a certain level of car parking space and noted that the number of car parking spaces had been reduced to 95 from approx. 230;

- Recognised the need for balance between car parking provision and the need to promote Winchester as a carbon free city;
- Risk that LEP funding would be lost if the project did not progress – keen not to see the scheme delayed any further.

Chris Gillam (Winchester Friends of the Earth)

- Major project for the Council coming forward at the same time as the Local Plan;
- Inadequate response has been received to concerns previously raised;
- Development in a sustainable location, questioning why any parking provision would be required at all;
- The scale of building was highly objectionable and the need for development was highly suspect, with the Market appraisal hidden from public inspection;
- Concern regarding the loss of biodiversity.

Patrick Davies

- Raised concerns about the process with additional Meetings of the Scrutiny Committee and Cabinet being urgently called. In addition, the Open Forum was scheduled to commence after the Planning Committee on 12 September where the planning application was due to be considered;
- Little feedback given to the public comments received in March 2019 and holding the Open Forum after the Planning Committee would further preclude serious public consultation in the process;
- No thoughts given on the risk of the LEP grant;
- Rushing to obtain an early planning decision.

Kate Macintosh

- Welcomed the comments of Councillor Learney regarding the improvements to the public realm and Upper High Street;
- Disappointment that Sussex Street was not being restored to 2 way working and therefore taking the major traffic out of Upper High Street;
- Made reference to a rumour she had heard suggesting a proposal for the disposal of the Cattle Market with only outline planning consent, although she noted this was not contained within the report – outline planning consent was valueless;
- Stated that 50% of public land was being disposed of to private buyers – and commented that with land ownership comes control and governance.

Councillor Miller

- Stated that there had been a great deal of public participation on the project;

- Car parking had been reviewed and had now been reduced to 95 parking spaces which was a measured approach – a level of car parking on site was essential;
- The project had received the full backing of the LEP, Winchester BID, Hampshire Chamber of Commerce and the County Council as a much needed development to accommodate high demand;
- Welcomed the old Registry Office building being retained;
- The development would generate employment with well paid jobs, reduce the need for residents to commute outside of Winchester, generate revenue income for the Council to lower the budget deficit;
- The Council would meet the LEP grant funding deadline, retain the interest of prospective purchasers and local tenants if the project was progressed in a timely manner.

Councillor Godfrey

- Welcomed the report and believed that the project should be fully endorsed as it brought a key site next to the station, not used to its full potential, into more sustainable use and provided a significant financial benefit to the local economy;
- Long term finances were under increasing pressure and developments such as Station Approach ensured that income streams were safeguarded and the area was improved by a high-quality development;
- Grade A office space was required to attract and retain major businesses in Winchester and for employment opportunities to remain in this central location and to not relocate elsewhere;
- Enabled Winchester residents the opportunity to take up employment near to where they live, reducing long commutes to work and improving the environment by doing so;
- Parking would reduce in the town centre by 130+ parking spaces which offered a step towards carbon neutrality.

The Strategic Director: Place recognised the tight timetable to enable the council to take advantage of the LEP grant and stated that a prompt decision was essential in order for the project to progress. It was recognised that the LEP grant funding was essential to deliver the public realm scheme, and would support the Carfax office development as well

To address the points raised during public participation, Councillor Learney provided the following response, as summarised below:

- The difficulties with the scheme, particularly the level of car parking, were recognised and work would be carried out to ensure that this did not impact on the economy of the Town;
- Determination of the Planning Application by the local planning authority was a separate decision to the land disposal decision before Cabinet;

- Reassurance was provided that there were no plans for the disposal of the Cattle Market site. The Cabinet Member: Built Environment and Wellbeing was currently working on the Local Plan before any matters relating to future proposals for the site would be taken forward;
- Proposals to implement measures within the Movement Strategy prior to considering further car parking are being progressed,; this being undertaken in balance with measures to promote the use of public transport.

During debate, Cabinet Members clarified that the public realm as part of the Carfax scheme, would be maintained as part of the development, but, via planning condition would be kept fully, publically open. It was confirmed that the City Council is keen for Hampshire County Council to deliver the adjacent Station Approach public realm. The purpose of the report was to consider the approach to land disposal in order to ensure progress with the project and that there would be opportunities for details, and a final recommendation, to come back to Cabinet.

The Leader thanked all those in attendance and those that spoke for their contribution.

Cabinet agreed to the following, including those amendments tabled at the meeting as detailed above, for the reasons set out above and outlined in the Report.

RESOLVED:

That the following be noted:

1. The Scrutiny Committee considered the contents of the report and the proposed recommendations to Cabinet on 14 August 2019 and made comments as set out in the draft minutes (Appendix 9)
2. The three specific areas for consideration raised by the Scrutiny committee along with associated comments as set out in the report and detailed in Appendix 8
3. The amendments made to the outline planning application, including reduced height, reduced parking and additional areas of active frontage to the public route through the site.
4. The introduction of an Open Forum to continue stakeholder engagement in the development of this proposal.
5. The feedback from the soft market testing as detailed in Appendix 3.
6. The RIBA equivalent Stage 3 report (Appendix 10) and cost plan for the Public Realm project.

7. That this report concludes the review of the Station Approach scheme led by the Cabinet Member: Local Economy.

That the following be approved:

8. That the allocation of a revenue budget of up to £220,000, as set out in Appendix 1 of the Report be approved, to undertake the selection process to enable the site disposal.

9. That the progression of the Public Realm project to RIBA equivalent Stage 4 (Technical design) and Stage 5 (Construction Management) be approved and that this work proceeds at a financial risk to the Council (see para 2.8).

10. That a request be progressed for the allocation of up to £500,000 CIL funding to enable development of public realm works to improve connectivity between the Station area and the High Street and Sussex Street.

11. That the Strategic Director: Place be authorised to enter into the necessary agreement with Hampshire County Council (and any other necessary associated parties) to progress public realm design and construction management work.

12. That the Strategic Director: Place be directed to develop a schedule of and process for spend and payments for the LEP grant that assists with the active management of the risk of grant repayment.

That, contingent on the approval of the outline planning consent, the following be approved:

13. The disposal of the Carfax site to a selected purchaser by way of a long leasehold, subject to agreed terms and conditions following a competitive selection process.

14. That detailed arrangements for the purchaser selection process for disposal are subject to a further report to Cabinet, having considered the specific comments of The Scrutiny Committee in this regard.

RECOMMENDED (TO COUNCIL):

15. APPROVAL TO AGREE AND TO ENTER INTO THE LEP GRANT AGREEMENT FOR A TOTAL SUM OF £5M BASED ON THE HEADS OF TERMS (APPENDIX 6), WITH FINAL AMENDMENTS TO BE DELEGATED TO THE STRATEGIC DIRECTOR: PLACE IN CONSULTATION WITH THE CABINET MEMBER FOR LOCAL ECONOMY.

16. APPROVAL TO INCUR CAPITAL EXPENDITURE IN STAGES TOTTALLING £5M TO BE FUNDED FROM THE LEP

GRANT RECOGNISING THE TERMS AND CONDITIONS ATTACHED TO THE GRANT AGREEMENT AND THAT SUCH EXPENDITURE WILL BE SUBJECT TO PAYBACK TO THE LEP SHOULD THE SCHEME NOT PROGRESS AND ACHIEVE THE GRANT OBJECTIVES.

14. **EXEMPT BUSINESS:**

RESOLVED:

1. That in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. That the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
15.	Station Approach proposals for delivery and further public realm development (exempt appendices and exempt minute)) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)) Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. (Para 5 Schedule 12A refers)

15. **STATION APPROACH PROPOSALS FOR DELIVERY AND FURTHER PUBLIC REALM DEVELOPMENT (EXEMPT APPENDICES)**
(Report CAB3172 - Appendices 4a, 4b and 9 refers)

Cabinet noted that exempt Appendix 9 (Exempt Minute of the Scrutiny Committee held on 14 August 2019) had not been notified for inclusion on the agenda within the statutory deadlines. The Leader therefore agreed to accept

this item onto the agenda as a matter requiring urgent consideration in order that regard be had to their content in reaching its decision on the way forward with the proposals for Station Approach.

Cabinet had considered the contents of the exempt appendix to the report which included commercially sensitive information regarding the Financial and Commercial Appraisals as part of the proposals for the disposal options and approach, and market interest and viability for Station Approach, when they made their decision on this matter.

REPORT TITLE: STATION APPROACH PROPOSALS FOR DELIVERY AND FURTHER PUBLIC REALM DEVELOPMENT

28 AUGUST 2019

REPORT OF CABINET MEMBER: CLLR ANNE WEIR, CABINET MEMBER FOR LOCAL ECONOMY

Contact Officer: Ian Charie Tel No: 01962 848420 Email ichtarie@winchester.gov.uk

WARD(S): ST PAULS / ST BARTHOLOMEW

PURPOSE

The Council has been leading the development proposals for the Station Approach Carfax site. This is the opportunity for a market-leading, low carbon office building in the heart of the city which will underpin the city centre economy for decades to come, creating a new hub of vibrant activity and acting as a catalyst for future regeneration opportunities. The project has now reached the stage of several key decisions:

- scheme delivery through disposing of the site to a purchaser who will then develop the scheme
- preparing the site and progressing the adjoining public realm improvements with the benefit of a £5m grant from the EM3 Local Enterprise Partnership
- ensuring that the development links strongly to the city centre by improving accessibility, particularly focused on the connection along Upper High Street and Sussex Street

Following approval of the Outline Business Case in March 2019 (CAB3144(SA)) additional work has been undertaken to further investigate the three approaches for disposal of the Carfax site, to test the market appetite for this type of development, and to progress design development for the public realm proposals.

This report has 3 objectives;

1. To set out the options for disposal of the Carfax site, on suitable terms that enables the market to respond positively and deliver an office-led development which provides long-term economic benefits for the city.
2. To set out the RIBA equivalent Stage 3 (Developed Design) work for the public

realm improvements linked to the £5m EM3 Local Enterprise Partnership (LEP) Grant and recommend progression of this work to RIBA equivalent Stage 4 (Technical Design) to meet the LEP timetable for spend of the awarded grant, subject to signing the Grant Agreement.

3. To further enhance public realm in and adjacent to Station Approach by improving the links from the Carfax site to the city centre by foot and cycle.

RECOMMENDATIONS:

That Cabinet:

Notes:

1. That the Scrutiny Committee considered the contents of this report and the proposed recommendations to Cabinet on 14 August 2019 and made comments as set out in the draft minutes.
2. The three specific areas for consideration raised by the Scrutiny committee along with associated comments as set out in the report and detailed in Appendix 8
3. The amendments made to the outline planning application, including reduced height, reduced parking and additional areas of active frontage to the public route through the site.
4. The introduction of an Open Forum to continue stakeholder engagement in the development of this proposal.
5. The feedback from the soft market testing as detailed in Appendix 3.
6. The RIBA equivalent Stage 3 report (Appendix 10) and cost plan for the Public Realm project.
7. That this report concludes the review of the Station Approach scheme led by the Cabinet Member: Local Economy.

Approves

8. The allocation of a revenue budget of up to £220,000, as set out in Appendix 1, to undertake the selection process to enable the site disposal.
9. The progression of the Public Realm project to RIBA equivalent Stage 4 (Technical design) and Stage 5 (Construction Management) and that this work proceeds at a financial risk to the Council (see para 2.8).
10. That a request be progressed for the allocation of up to £500,000 CIL funding

to enable development of public realm works to improve connectivity between the Station area/Carfax site and the High Street and Sussex Street.

11. That the Strategic Director: Place be authorised to enter into the necessary agreement with Hampshire County Council (and any other necessary associated parties) to progress public realm design and construction management work.

Approves, contingent on the approval of the outline planning consent

12. The disposal of the Carfax site to a selected purchaser by way of a long leasehold, subject to agreed terms and conditions following a competitive selection process.
13. That detailed arrangements for the selection process for disposal are subject to a further report to Cabinet.

Recommends to Council;

14. Approval to agree and to enter into the LEP Grant Agreement for a total sum of £5M based on the Heads of Terms (Appendix 6), with final amendments to be delegated to the Strategic Director: Place in consultation with the Cabinet Member for Local Economy.
15. Approval to incur capital expenditure in stages totalling £5M to be funded from the LEP Grant recognising the terms and conditions attached to the grant agreement and that such expenditure will be subject to payback to the LEP should the scheme not progress and achieve the grant objectives.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Successful regeneration of Station Approach/Carfax is central to fulfilling high value, private sector employment opportunities to deliver the Council Strategy (2018-20). It also will be a landmark exemplar of sustainable office development in the heart of the city and act as a regeneration catalyst for other development and enhancements, as well as being of wider economic benefit to the city and district.

2 FINANCIAL IMPLICATIONS

- 2.1 A revenue budget of £1.5 million was set by Full Council on 02 November 2016 (CAB2852) to commission the masterplan and a public realm strategy for the Station Approach area encompassing the Carfax and Cattlemarket sites, and the design work and other professional services for the Carfax site.
- 2.2 Following completion and approval of the public realm strategy (CAB3021(SA) refers), the Cabinet (Station Approach) Committee approved an additional revenue budget of £225,000 to take forward the initial design work for the public realm adjacent to and in support of the Carfax design development as a first phase of implementing the wider strategy. The Enterprise M3 LEP has agreed to a £5 million grant for works to support the development of office accommodation on the Carfax site, subject to conditions which include the requirement: that Planning Permission for the Carfax development is issued by 31 October 2019 with confirmation of the delivery model the Council intends to pursue, and that the grant has to be spent by the end of March 2021.
- 2.3 Full Council approved in February 2019 (CAB3134) a budget of £5m (2019-21) for implementation of the Station Approach public realm project subject to appraisal. This budget is contingent on the LEP £5m grant being confirmed through signing the necessary Grant Agreement with EM3
- 2.4 A capital budget of £1.8m was agreed in February 2018 to take the Carfax development project through planning and detailed design. In October 2018 (CAB3083(SA)) approval was granted to draw down £400,000 of this capital budget to cover work for planning application preparation, submission and follow up work for the Carfax site.
- 2.5 The current expenditure for the project is set out in Appendix 1.
- 2.6 To select a site purchaser, the budget requirement is set out in Table 4 of Appendix 1 and Cabinet is asked to approve the necessary revenue budget of £220,000 for undertaking the disposal of the Carfax site.

- 2.7 For the public realm works, the budget requirements set out in Tables 3 and 4 are estimated to take this part of the project forward through RIBA equivalent Stages 4 and 5 at an estimated cost of circa. £575,000. These works are to be financed from the EM3 LEP £5m grant following the signing of the Grant Agreement. Works must be agreed and carried out in accordance with the Grant Agreement before the spend is claimed back as a drawdown for completed works, or, by agreement with the LEP, a contract for works placed. It is important to note that if the works are not completed, or the conditions of the grant not met, any drawdown would be re-payable to EM3 LEP, including if the end outcome of the built Carfax scheme is not achieved. There is no new budget request required for these works, but the Council is retaining funds in the Major Investment Reserve to cover for an eventuality should the LEP grant conditions not be met and any monies received become repayable. Once there is certainty that the conditions of the grant will be met this reserve can be released into other projects and activities for the Council.
- 2.8 There is, therefore, a critical interdependency between signing the LEP Agreement enabling the drawdown of LEP grant), and the next stage design work to be undertaken. This has implications for meeting the LEP deadline for grant spend to be completed by 31 March 2021. To stay on programme to meet this deadline, RIBA equivalent Stage 4 design work needs to start promptly – in advance of any grant of outline planning permission for Carfax and final signing of the LEP grant agreement, but at financial risk to the Council. HCC Stage 4 Design spend, ahead of the LEP Grant Agreement being signed may amount to approximately £40,000.
- 2.9 To deliver wider public realm and connectivity works, as set out in paragraph 11.35, a recommendation has been included noting the submission of an application for CIL funds of up to £500,000. This is being further progressed through the CIL approval process, and from a technical point with HCC as Highway Authority. As the works are proposed to be funded by CIL, there will be no ongoing borrowing costs to the Council but any money allocated reduces the amount of CIL available for other schemes across the district.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council has statutory powers to bring forward regeneration proposals by reliance on its powers under the general power of competence provided for in Section 1 of the Localism Act 2011, as well as its powers to dispose of land under Section 123 of the Local Government Act 1972 and Section 233 of the Town and Country Planning Act 1990.
- 3.2 Recommendations 12 and 13 are that the Council follow a competitive selection process to enable site disposal, based upon successful negotiation of a legal agreement under which it is proposed at this stage that the Council commit its existing land interests to the scheme, on a conditional and time limited basis. Officers are to bring a report to Cabinet setting out details of selection process(s) available within statutory guidelines.

- 3.3 External legal advice has been obtained (Browne Jacobson LLP) which confirms the principle of such arrangements, to be lawful. The advice is on the basis that the Public Contracts Regulations 2015 (PCR) do not oblige the Council to pursue an OJEU process where the main object of the transaction is land disposal. Only where the purchaser is under an enforceable obligation to carry out specified works (conferring pecuniary benefit on the authority) will that obligation arise.
- 3.4 The proposal is to enter into an agreement where the main object is land disposal. No services are proposed to be provided by the potential purchaser to the Council for payment. The proposed legal agreement transferring the land interests will therefore serve to regulate the transfer of Council's land interest to the purchaser so that they may carry out the Scheme based upon the outline planning permission for which they will secure reserved matters planning permission(s).
- 3.5 In pursuing the scheme and the agreement with the purchaser, the Council will observe its statutory duties, including in regard to the duty to obtain best consideration on the disposal of land, and duties to consult. It should be noted that by carrying out a competitive process to select a purchaser to acquire the site, the Council will be in a stronger position to demonstrate compliance with the duty to obtain best consideration.
- 3.6 Legal risks identified relate to a potential challenge brought under PCR on the basis of ineffectiveness and a risk of a judicial review challenge to the direct award. Recent case law has set a high bar for bringing such a judicial review and procedural steps below to mitigate the risks are included by officers:
- (a) Ensuring there is a fully documented audit trail to justify the transaction being undertaken outside of the PCR.
 - (b) Conducting the competitive process to select a purchaser in a manner which clearly demonstrates the intention to enter into a land transaction (Recommendation 12, the purchaser selection and appointment process is to be brought back to Cabinet for consideration).
 - (c) Ensuring that the legal agreement entered into satisfies the relevant tests and is therefore not a contract for works or services.
 - (d) If/when an agreement with the selected purchaser is successfully negotiated, publishing a "voluntary transparency notice" in the Official Journal of European Union, describing the nature of the agreement to be entered into and the reasons for not publishing an OJEU.
- 3.7 Recommendation 9 is for Cabinet to approve progression of a request for allocation of CIL funding which will enable public realm works to improve public connectivity between the Station and High St. Confirmation of a CIL funding approval request is by way of separate governance procedures.

4 WORKFORCE IMPLICATIONS

- 4.1 The budget request set out in Section 2 of this report is necessary to ensure adequate resources are allocated to both the Carfax site and adjacent Public Realm projects.
- 4.2 Day to day project management will be retained by the Council's project team and contracted consultants. Further support from the Design Team (led by LDS) and their technical consultants will be necessary to progress the agreed delivery route.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The report sets out (Section 11) the recommended option for disposal of the Carfax site.
- 5.2 The future development of the Carfax site will be viewed as a litmus test for future development opportunities in the City. The process of engaging with the market has so far been successful to date and will hopefully give investors confidence to consider further investment in the district should opportunity arise.

Soft Market Testing – purchaser information event

- 5.3 On 7 June an information event was held in the Guildhall Winchester for prospective purchasers and investors. The Council widely publicised the potential opportunity and sought informal views of the development market. Twenty four people attended and there were presentations from WCC, HCC, Propernomics (WCC Economic/Development advisors) and JLL (Strategic Placemaking Consultants). Interest in the market came from purchasers and investors locally and nationally. Feedback forms were sent out after the event asking questions on the three potential disposal options, parking provision, phasing/timeline for letting and development, carbon neutral development, and other environmental best practices. Valuable feedback was obtained from interested parties. A summary of feedback is included in Appendix 3.

6 CONSULTATION AND COMMUNICATION

Previous Consultation and communications

- 6.1 As reported at Cabinet (Station Approach) Committee on 25 March 2019 CAB3144(SA)), a series of public consultation and stakeholder engagement events were held in March 2019, giving people the opportunity to provide feedback on the emerging design proposals for the Carfax development and surrounding public realm. Over 210 people attended public drop-in events at the Old Registry Office, and an unstaffed exhibition in the Winchester Discovery Centre over a week long period. Feedback forms were provided, and responses sought.

- 6.2 At O&S Committee in March 2019, the Committee asked to see a developed response to this public engagement and for more information regarding the means by which the Council might be assured that its objectives for the development of the site would be met. Subsequently as part of the submission of the outline planning application, a Statement of Community Involvement was submitted which provided the information on the engagement events. This can be found on the Council's planning webpages <https://planningapps.winchester.gov.uk/online-applications/applicationDetails.do?activeTab=documents&keyVal=POB2Z0BP0SC00>
- 6.3 The outline planning application has been consulted upon and 51 public responses and 12 consultee responses have been received and are being reviewed and considered by the project team as well as the Local Planning Authority.
- 6.4 Responding to the public consultation, the planning application has been modified to reduce maximum height by 2m (with an amended rendered view of the scheme submitted from a key viewing point), maximum number of parking spaces reduced (from 135 to 95) and a revised plan to indicate active frontages to the scheme along the key pedestrian route within the scheme.
- 6.5 Previous public consultation and stakeholder engagement also took place in Autumn 2017 and Spring 2018.

Considerations of Scrutiny Committee 14 August 2019

- 6.6 The Scrutiny Committee considered the draft report and recommendations at its meeting on 14 August 2019. The committee explored a range of matters including the LEP grant conditions and mitigation of risks of grant payback, the committee considered the control mechanisms available to the council through leasehold disposal in particular in relation to design changes and stressed the importance of being clear as to what was being disposed of. The market risks relating to Brexit uncertainty were highlighted and key considerations in the disposal process such as reserve prices and go / no go criteria. Appendix 8 to this report itemises these points and gives further comment to assist cabinet.
- 6.7 The committee asked that three areas be further considered by Cabinet, namely:

In addition to the other comments made, that Cabinet is further requested to specifically consider the following issues:

- *Putting in place a realistic schedule and timing for spending LEP funding that manages the risk of repayment in the event of development problems and the possibility that LEP funding can be suspended by the Government at any time*

- *As well as defining desired outcomes, setting clear 'go / no-go' red-line criteria as a checkpoint in the developer selection process – including a clear reserve value and a robust process for managing design changes – including legal preconditions and other options to protect the council's interests*
- *Finding ways to adjust the marketing timing for the project, if necessary, to reflect the likely high levels of uncertainty in the Commercial Property market in November/December 2019 and early 2020.*

6.8 The comments of the scrutiny committee are set out in the draft minutes of the meeting which will be circulated in advance of the Cabinet meeting. A review of the comments made by Scrutiny Committee is set out in Appendix 8

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The project brief identifies that the project will be designed to contribute towards the Council's objectives to build a low carbon economy. The BREEAM method of assessing the building design and impacts will be used to measure and test the designs as they evolve.

7.2 Local Plan Part 1 Policy CP11 Sustainable Low and Zero Carbon Built Development sets an aspiration for non-residential development to meet BREEAM 'Outstanding'. The outline planning application will demonstrate that the development can achieve BREEAM Excellent with full details secured at reserved matters stage. In addition, measures have been proposed at the current Outline stage (and will be further developed) which show how it will meet other requirements within BREEAM Outstanding where feasible.

7.3 The design will also be in accordance with BCO (British Council for Offices) standards, which similarly set a high 'best practice' requirement for environmental and other target areas for producing high quality, sustainable office development.

7.4 The proposed development achieves an overall 24.1% improvement over the Building Regulations Part L2A:2013 operational Carbon Dioxide Target Emission Rate. A number of measures have been adopted by the proposed development, including passive design and energy efficiency to reduce energy demand, systems to enable operational monitoring and benchmarking, and circa 180m² of photovoltaic cells at roof level to offset CO₂ emissions from energy consumption, following a review of low and zero carbon technologies.

7.5 A key part of the design progression is addressing parking in the wider context of key objectives in the Movement Strategy and key issues such as reducing traffic congestion, improving air quality and improvements for pedestrians, cyclists and public transport users. The Consultation document, Autumn 2018, for the emerging Movement Strategy notes that 'Current proposals for Station Approach are supportive of the emerging Movement

Strategy'. The outline planning application includes up to 95 car parking spaces (reduced from the initial submission of up to 135 spaces), this being a reduction from current public and leased parking spaces of 84. In addition, HCC is proposing to cease the use of the HCC owned land for their pool car area ('the Mini Cooper area'), timescale to be confirmed.

- 7.6 A key part of the upcoming site purchaser selection process will be for bidders to state how they would approach provision of a scheme promoting carbon neutrality. The Council is considering how to include this as part of the evaluation criteria in selecting a purchaser.
- 7.7 In addition to establishing strong environmental sustainability credentials, including an approach to carbon neutrality, at the current concept design/outline planning application stage, there is considerable scope to further meet best practice in these areas through the future detailed design/reserved matters submission stage. The aim is to secure the scheme as an exemplar of a very low carbon office-led mixed use development.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 An Equalities Impact Assessment (EqIA) scoping process has been undertaken for the project. The EqIA scoping identified potential impacts for people with physical impairments or health problems. Through liaison with accessibility and disability groups, the work on the public realm design has addressed these impacts related to accessibility needs.
- 8.2 An Accessibility and Inclusion section in the Stage 2 report for the public realm prepared by Lifschutz Davidson Sandilands sets out design improvements for accessibility, particularly addressing the needs of older people and those with mobility challenges.
- 8.3 Accessibility and inclusion issues which are appropriate to consider through future design stages of the project have also been identified through this process and include the following:
- The design of the pedestrian areas outside the station and in the adjacent roads and Carfax scheme
 - The siting of bus stops (given the site is sloped)
 - Taxi rank and pick-up/drop off points and bay length for ramp use
 - Building entrance design and accessibility
- 8.4 The overall purpose of the public realm project is to enhance public accessibility by creating a pedestrian-friendly area together with a suitable area in terms of levels for bus stops and pick-up/drop-off points, and seating areas to provide rest points. Implementation of the public realm works will enhance compliance with the statutory equalities requirements through enhanced pedestrian and accessibility vehicular flow.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required at this stage of the process. However data protection is ongoing and will be continuously re-evaluated, in particular throughout the selection process.

10 RISK MANAGEMENT

- 10.1 This project has a full risk register which is managed by the Head of Programme.
- 10.2 The key risk headings are listed below and detailed in the Key Risks Register in Appendix 2. The full Risk Register is listed as a Background Paper and provided as Appendix 11. The main risks relate to potential changes in the commercial market and construction costs including post Brexit. The risk of a no-deal Brexit and the possibility of a general election has recently increased with potentially more significant implications for the project in terms of increased cost and financing of the project. It is not possible to mitigate all these risks as there is currently a high degree of uncertainty in the United Kingdom political and macro-economic environment. These risks could have significant consequences on: 1) the cost of materials and labour affecting construction prices, 2) the required financial return (viability) (e.g. if sufficient office pre-lets are not secured and at the target rental values), 3) changes in the investment market, and 4) changes in financial markets /general economic sentiment including in to the cost of borrowing available to the Council.
- 10.3 Key Risks (the full Risk Register is available as a background document):
- Change in commercial market and/or financial markets affect finance, costs, pace of letting and/or rents.
 - Outline planning application decision delayed or refused, designs are rejected and gateways not approved.
 - Public realm design stages are rejected and gateways not approved.
 - Delays to agreement to disposal route/appointment of site purchaser.
 - Project does not result in development.
 - Pressure on delivery timescale to ensure securing tenants for site, LEP Grant and retain public support.
 - Change in Project Scope.
 - Network Rail governance and HCC approval or delivery process: Public realm design and implementation work delayed or agreement for works cannot be reached in a timely manner on land controlled by 3rd parties (Network Rail, HCC), results in not being able to meet required LEP spending programme.
 - Risk of challenge to the proposed disposal of the site being via a land transaction not being conducted under a procurement process (eg. by OJEU),

11 SUPPORTING INFORMATION:

Disposal options for the Carfax site

11.1 The council has been leading the regeneration proposals for the Station Approach Carfax site for some years. The site presents the opportunity for a market-leading, low carbon office development in the heart of the city that will underpin the city centre economy for decades to come, and act as a catalyst for future regeneration opportunities. The project has now reached the stage of several key decisions

- delivery of the scheme through disposal of the site to a purchaser who will then develop the scheme;
- preparing the site and progressing the adjoining public realm improvements with the benefit of a £5m grant from the EM3 Local Enterprise Partnership; and
- ensuring that the development links strongly to the city centre by improving accessibility, particularly focused on the connection along Upper High Street and Sussex Street.

11.2 This section of the report focusses on an assessment of the three disposal options for the site, leading to Recommendation 12 in this report. The Council's Strategic Placemaking Consultant has reviewed the options for disposal available to the council and their technical report is attached in Appendix 4.

Summary of options available.

11.3 The Outline Business Case (OBC) considered by Overview & Scrutiny Committee (OS225) and Cabinet (Station Approach) Committee (CAB3144(SA)) in March 2019 considered in detail, the following four options against a baseline 'do nothing' case for how the Council may deliver the Carfax site.

- Sell with Outline Planning Permission
- Joint Venture
- WCC Develops Site
- Income Strip

11.4 The OBC also confirmed the strategic objectives for the project:

- Achieve greater economic performance from land uses
- Maintain or improve the City Council assets
- Improve the aesthetic and environmental impact of the area

- 11.5 Following the approval of the OBC, CAB3144(SA) (25 March 2019), the Cabinet Committee authorised that further work be undertaken to investigate further the two preferred delivery approaches of
- (i) income strip, or
 - (ii) sale with planning permission.

Option (ii) is further identified as either a Freehold or Leasehold sale thus creating three different options.

- 11.6 If the Council chooses to dispose of the site under either a freehold or leasehold arrangement then it is required to achieve “Best Value”. Under section 123 of the Local Government Act 1972, a local authority has the power to dispose of land with the caveat that an authority must not do so for a consideration less than the best that can be reasonably obtained; i.e. the best achievable price in the open market. If the Council can demonstrate that value is being received in other ways that justify the monies foregone to the public purse it may dispose of land at less than best consideration with the consent of the Secretary of State for Housing, Communities and Local Government.
- 11.7 The site is currently used predominantly for car parking (108 public spaces, 71 leased spaces); therefore annual revenue income of approx. £348,000 will be lost when these uses are terminated following the required notice process. , The Outline Business Case has already set out the benefits from more sustainable development of the site to meet Council Strategy objectives. Typical 2018 and 2019 occupancy levels for the Centre Ring of parking (including Gladstone St and Tower St Car Parks) are 87% and 90% respectively. For ‘All’ spaces in the city (including Inner ring, e.g. Cattlemarket, and P&R parking sites), the capacity figures are 80% and 86% respectively. There is therefore capacity within city centre car parks, including the most adjacent to Station Approach, i.e. Tower Street.

The table below summarises the key benefits and risks for the potential delivery options:

Table 1: Summary of key benefits and risks for each option

Option	Benefits	Risks
Sale Freehold	<ul style="list-style-type: none"> • Low financial risk • Meets LEP programme requirements 	<ul style="list-style-type: none"> • Lose ownership of the site (and any retained rights); statutory planning authority rights remain. • Loss of management over the development

Sale Leasehold	<ul style="list-style-type: none"> • Low financial risk • Meets LEP programme requirements <ul style="list-style-type: none"> • Landlord rights retained 	<ul style="list-style-type: none"> • Additional time may be needed to agree long-lease; could risk delivery within LEP time requirements • Loss of management over the development
Income Strip	<ul style="list-style-type: none"> • Ownership of the site reverts to WCC at the end of the income strip period (typically 30 to 40 years) • Greater financial gain to the Council (though with significant additional risk) • Greater Council control over the development 	<ul style="list-style-type: none"> • A more complex site disposal process would be required. • Longer process, and therefore may not meet LEP grant deadline for spend on Carfax site preparation – element of LEP grant funding may be lost, and viability adversely affected • The Council would have to find tenants for the buildings and meet the cost of refurbishment in future years based on the terms of their lease • Financial obligations may exceed the income from rents posing less overall income and potential long term financial risk

1. Sale of Leasehold interest option

- 11.8 A leasehold sale will enable the Council to retain ownership of the land, while allowing the market to invest in the site and provide the wider economic benefits which will arise from site development, as set out in the OBC. The Council can retain necessary and appropriate rights over the site through mechanisms such as a conditional agreement for lease and negative covenants, but the details of any such process would need to be subject to legal and strategic development advisor review.

- 11.9 The soft market testing undertaken demonstrated that the principle of a leasehold sale option was supported by most of the respondents, dependent on the terms of the lease.

Key points raised through the soft market testing included:

- The terms of the lease will dictate how attractive this option is to the market (for example, covenants and ground rent levels).
- The lease term would be in the range of 125-250 years.
- A leasehold disposal could have an impact on value, as explained below.

Risks raised included:

- Purchaser may wish to amend planning application
- Onerous terms of the lease could lower the site value with the possibility of non-viability
- Could narrow the market – some international investors won't purchase leaseholds
- Rent sharing leases significantly reduce investor interest and values if too high a gearing is applied.

- 11.10 Further to the consideration set out in the Outline Business Case, the Council should note the following:

- This option retains long-term ownership of the site for the Council.
- The option has lower financial risk for the Council when compared to an income strip and lower financial opportunity.
- In comparison with undertaking the development itself (and therefore having full control), the Council will instead be relying on terms to be included in a lease to regulate, as appropriate, the development of the site, this in addition to, and separate from the local planning authority planning powers. Further legal and strategic advice on the best mechanisms for ensuring that this approach delivers the project's strategic objective of economic benefits will therefore be imperative.
- A leasehold disposal could be at a premium or a geared ground rent, where a percentage of the market rental of the development would be paid to the Council, or a combination of both. If a geared ground rent is secured the Council will benefit from future increases in rental value, which would not be possible if the lease was sold at a premium.

Summary conclusion – Leasehold sale:

- 11.11 There is considerable interest in this option in the market, but the Council will need to carefully consider the terms of the lease to ensure it does not impose terms that are unacceptable in the market, or significantly adversely impact on potential financial return to the Council. It is considered that this option can give the Council the level of assurance it seeks on the development to be

delivered on this site, while allowing the market to progress a viable and innovative scheme suitable for their investment requirements.

2. Sale of Freehold option

- 11.12 A freehold sale is a straight land transaction, where the asset is conveyed to the purchaser. The Council therefore retain no interest in the asset, other than through the imposition of covenants which have a limited impact over time or via its other regulatory roles. As per the sale of a long leasehold interest, a freehold sale can be conditional on planning. The soft market testing clearly showed this option as being of greatest interest to the market, but the Council must note the risks to delivering the project's strategic objective and the Council Strategy outcome sought.

Key points raised through the soft market testing included:

- Preferred option in market, although many respondents indicated it wasn't a prerequisite
- Ensures best financial value for the site
- Simplest route

Risks raised included:

- Purchaser may wish to amend planning
- Risk that it will not achieve the Council's strategic objectives
- Entails 'outright' sale, and therefore no retained rights for the Council as landlord over the site (other than as planning authority)

Summary conclusion - Freehold Sale:

- 11.13 Further information on this option is set out in the OBC, but the key point to note is that there is a significant risk that this option won't deliver the strategic objectives for the project, or that the delivery of these objectives could be significantly delayed if the Council pass ownership of the asset to a third party, bar through their regulatory role as Local Planning Authority. It is therefore not recommended that this option is pursued, unless the Council wish to amend its objectives for the site and its portfolio.

3. Income strip option

- 11.14 In an income strip arrangement, a sale and leaseback arrangement will be agreed. An internal WCC Officer Note is attached as Appendix 5 regarding the Income Strip approach.
- 11.15 An Institutional Fund will need to be found (through a competitive exercise) to purchase a long leasehold interest in the Council's land. An external purchaser enters into a development agreement with the Fund to construct the development. The Council will enter into an occupational lease with the

Fund and would have the option to purchase the reversionary property interest for £1 at the end of the lease term (typically 30 to 40 years).

- 11.16 The agreement in an income strip arrangement would set the rates for the lease at the start of the 40 year agreement. The Institutional Fund would be responsible for, and take on the risk of developing the site but the Council would be locked into the lease rates for the duration of the agreement. There is therefore a significant risk that at some point during the lease term, the Council's obligation to pay for the lease of the building exceeds the rental income it would receive from tenants. The Council would also be responsible for finding tenants for the buildings and meeting the cost of refurbishment in future years based on the terms of their lease.

Key points raised through the soft market testing included:

- some feedback questioned whether this route would be suitable if pre-lets had not been secured
- Could generate the Council a very large capital receipt and/or significant profit rent.
- Some interest in the option. The larger Institutional funders have a strong appetite for this type of disposal and the corresponding yields have a major impact of the fundability of a scheme.
- The speculative nature and size of the office building will be scrutinized to gauge the prospect of early pre- lets.

Risks raised include:

- Council locked into lease payment at start of lease. Risk of negative cash flow
- Council responsible for building occupation and void periods.

Summary conclusion – Income Strip

- 11.17 The level of risk for this option may exceed the Council's risk appetite. This option would provide short term gains but higher long-term risks. If the Council decide to proceed with an income strip arrangement, this decision will need to be referred to Full Council due to the level of financial implications such a decision will have.

Overall conclusion regarding disposal options and way forward

- 11.18 The Council's Strategic Placemaking Advisor, JLL, has considered the appropriate delivery routes, demand for the current office market, and development viability. This is detailed in the JLL report in Appendix 4.
- 11.19 On balance, for the reasons set out within this report, expressed by JLL, and summarised in Table 1, the recommendation is for disposal of the site by way of a land transfer of the long leasehold interest in the site. The Council will

need to ensure it achieves best consideration for the site as outlined in paragraph 11.6 above. The indicative programme for this process is illustrated in Appendix 7:

- Preparation for marketing including data room, marketing material, evaluation approach, commercial documentation and targeted soft market testing – Aug to Oct 2019
- Launch marketing – Nov 2019
- Bids back - mid Jan 2020
- Evaluation (including interviews with shortlisted parties) - mid Jan to early Feb 2020
- Agree contracts - early Feb to end March 2020

11.20 It is important to continually consider the market for office development. This has been set out in previous reports and in the Outline Business Case. JLL has provided an up to date analysis of the office market and an assessment of viability in confidential Appendix 4a which indicates interest in development remains likely. By entering into a long leasehold the council passes the risk of securing tenants onto the developer. The soft market testing indicates a degree of confidence in the development opportunity and the level of interest in the south east market for occupation is set out in the JLL report. Particular mention was made by the Scrutiny Committee of market uncertainty in respect of Brexit and this was responded to at the meeting. Further consideration has been given and JLLs view remains that they do not perceive that this should be considered as significant in relation to the marketing of Station Approach. Due to the medium-term nature of development, developers are well versed in looking beyond current micro and macro-economic environments. The occupational demand for the developed scheme is deemed to be strong despite the current economic climate. This coupled with the very limited supply of high-quality new build space means that the economic fundamentals underpinning development are good.

11.21 There was particular mention of adjusting the timing of the disposal due to Brexit and as set out above this is not generally seen as essential. The impact of a delayed start date would be a risk of loss of market confidence and likely loss of the EM3 LEP grant award due to likely non delivery of grant aided works by March 2021.

11.22 The committee also used the phrase ‘red lines’ in respect of the desired outcomes for the disposal, including consideration of a minimum rent or minimum capital receipt. It is difficult to define those matters in advance of determining the disposal method and in order to attract the greatest range of bids, maximum flexibility should be built into the disposal methodology. This will be considered in the future paper to Cabinet

Award of EM3 LEP Grant

- 11.23 The Council was awarded a provisional £5m grant to support development of the Station Approach Scheme in March 2019. Of this grant approximately £1m is allocated to Carfax site preparation works, including archaeological works, and approximately £4m for public realm enhancements. The council is in receipt of a Draft Grant Agreement from EM3 LEP and several comments were made in respect of the document attached to that report as Appendix 6. Discussion has been held with the LEP who confirm that this is a standard document and issued in respect of all EM3 LEP grant awards. Clarification has been sought as to the completion date and the EM3 LEP advise that provided sufficient progress is being made against the milestones, then the LEP will not arbitrarily recall the funding if there is some justifiable overrun. Specific mention was also made of the commencement date. The LEP initially are considering an office development completion date of 31 March 2023, although this could be amended by mutual agreement with good reason.
- 11.24 Specific mention was made by the Scrutiny Committee of the risk of the existing LEP Growth Funding monies being withdrawn, but the EM3 LEP have had no indication this would occur.
- 11.25 Heads of Terms, as contained in the draft Agreement, are attached as Appendix 6. As is usual, at this stage, the Draft EM3 LEP Agreement is generic and requires details of the specific scheme to be included. This work is underway and recommendation 14 requests that amendments to the draft Agreement are delegated to the Strategic Director – Place, in consultation with the Cabinet Member for Local Economy. The Risk Register identifies that there is the risk that if the Carfax scheme is never built, any LEP funds spent on the public realm elements or as site preparation works for the Carfax scheme could be liable for clawback by EM3 LEP.
- 11.26 A significant part of this spend will be allocated towards the improvement of the public realm adjoining the Carfax site, to support the provision of grade-A quality offices, enhance the Gateway approach at the Station and achieve a rebalancing of road space – in favour of users other than car users. This is in line with ‘Priority 1 of the Winchester Movement Strategy’. It is proposed that the remaining portion of LEP Grant (approx. £1m) will be for Carfax site preparation works, including archaeology, decontamination and utility enhancement.
- 11.27 A spend profile, set against project milestones is one of the Terms and Conditions to be agreed with the LEP. A condition of the LEP is for drawdown against work undertaken, or, where agreed, against contracts for work let, prior to being undertaken (repayable if the work is not then undertaken). An outline spend profile is set out in Table 2 below and further expanded in Appendix 8.

Table: 2 LEP Grant Outline Spend Profile

Spend Category	Amount £	Timescale
Carfax site prep. Works (inc. Archaeology)	c. 1,000,000	Q3/4 2020 – Q1 2021
Public Realm Stage 4 (Technical) Design Fees	c. 215,000	Q3 – Q4 2019
Public Realm Stage 5 Construction Management	c. 360,000	Q2-4 2020 – Q1 2021
Public Realm works	c. 3,425,000	Q2-4 2020 – Q1 2021
Total	5,000,000	

- 11.28 The City Council, via an Agreement with HCC (as Highway Authority) will deliver the public realm works in Station Hill and Station Road (ca. £4m of LEP Grant) and the intention is that the selected site purchaser would undertake the Carfax site preparation works (ca. £1m).
- 11.29 As set out in this report, the LEP grant is central to delivery of the Station Approach initiative – both the Carfax and Public Realm elements. As part of the recent review of the project, the scope of the public realm improvements was also reviewed. The review team specifically requested greater connectivity of the scheme be sought with the Upper High Street and Sussex Street, as identified in the Public Realm Strategy undertaken as part of the initial Station Approach work.
- 11.30 The Leader of the Council and Cabinet Member met with the Chief Executive of the EM3 LEP who confirmed there was no flexibility in the allocation of the grant in respect of public realm works. Any changes would have to be subject to a further bid for funding and given constraints on LEP funding, this could not be guaranteed. Therefore, the Council must allocate its own funds to secure additional public realm work if this is required. CIL funding has been provisionally requested and it is proposed that up to £500,000 is allocated to this additional work.

Public Realm

- 11.31 Since Cabinet (Station Approach) Committee on 25 March 2019, Stage 3 (developed design) work has been progressed. A presentation will be given of the updated scheme proposals. To satisfy the LEP timescale requirements, it is critical to move onto Stage 4 (Technical) design and Cabinet will be asked to approve the Public Realm RIBA equivalent Stage 3 proposals, enabling progress to Stage 4 Technical design.
- 11.32 The key objectives for the public realm improvements are stated in para 11.26 above, and will specifically create a more pedestrian-friendly and safe area outside the station and in front of the proposed key new addition of the redevelopment of the Registry Office as a bar/restaurant. These key outcomes improve pedestrian and, where possible, cycle connectivity around

the station area and, as set out later in this report (see para 11.35), enable wider improved connectivity with the city centre.

- 11.33 It is equally important to secure arrangements for existing operators (bus, taxis, deliveries/servicing) and make provision for enhancement of future operations, including rail-replacement bus services and passenger drop off/pick up arrangements.
- 11.34 Stakeholder engagement, including with HCC, South Western Railway, Network Rail, Taxi operators, continues to ensure that an appropriate balance is achieved between the need for change as outlined above. Discussions with Network Rail and South Western Railway continue regarding use of their land to assist with meeting this balance. A project Open Forum commencing on 16 September, will be an opportunity to further review matters related to the Station Approach initiative, along with future public consultation.

Wider Public Realm Enhancements and Connectivity

- 11.35 Following the review of the Station Approach project, a key addition is to extend connectivity for pedestrians, and where possible cyclists, between Station Road and the city centre in ways that will extend the benefits arising from the Station Approach improvements for the wider community. This includes a potential widening of the pavement on Upper High Street between the Clifton Terrace Bridge at the boundary of the LEP funded public realm scheme through to the end of Upper High Street at the Westgate. Further improvements to the pavement on Sussex Street outside the Tower Street car park will also be considered. Discussions are at an early stage with HCC on works within the highway to establish technical and cost information to support such potential works. An approximate cost estimate at this early stage for the two initiatives described above is up to £500,000.
- 11.36 A CIL funding expression of interest has been made to seek to secure improvements in Public Realm in the Station Approach area and it is proposed that this requested allocation be used to fund these works. If this approach is not taken, the Council will need to defer progress on this work and consider funding through the capital programme

Review of the scheme

- 11.37 The Cabinet Member: Local Economy has taken the opportunity to review the scheme as part of her portfolio responsibilities. This review took into account the outline planning application that was submitted to the Local Planning Authority on 29 March 2019 (planning reference 19/00601/OUT). The outline planning application has been consulted upon and 51 public responses and 12 consultee responses have been received and are being reviewed and considered by the project team as well as by the Local Planning Authority.
- 11.38 Following the review and in response to comments made during the consultation process, the following changes have been made to the planning application, including:

- Height – removal of flexibility in height and reduced plant height to lower total maximum height by 2m
- Car parking – reduction to a maximum of 95 car parking spaces (from a maximum of 135)
- Changes in design to enhance active frontages
- A reaffirmation, through the reduction in parking, and measures that can be addressed at future Reserved Matters stage, of an approach to development of the site that addresses the objective of a low carbon scheme. (It should be noted that, in addition, this aspect will be addressed as a criteria for selection during the purchaser selection Process).

11.39 Importantly, further reduction in parking numbers from the planning application maximum could enable the development to be built with a smaller basement, enabling building the development in phases, as raised by potential purchasers at the soft market testing event.

11.40 The review also highlighted the desire to maximise the sustainability features of the development. This was also supported by the soft market testing feedback, and the approach advocated by JLL.

11.41 The Local Planning Authority set up a Local Design Review Panel meeting in May 2019 and the consequent advice is available on the Council's Planning webpages. A recommendation from the Local Design Review Panel was for consideration of the scheme by a Regional Panel. A Design Southeast Regional Panel considered the scheme on 2 August 2019.

11.42 Pending receipt of the Regional Panel report, key issues raised related to street frontages, integration with the HCC Archive building and a steer for Reserved Matters stage on future detail of design, appearance, materials and landscape. The Panel considered that, whilst accepting the information submitted on the height of the buildings and proposed impact on views, this should be further tested at Reserved Matters stage.

Next steps

11.43 This report proposes continuing with the development of the Carfax and public realm schemes, accepting the EM3 LEP grant funding and disposing of the site, in accordance with the recommendations contained in this report, noting the risks identified in the Risk Register.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 No assumption has been made in the Medium Term Budget Strategy for potential income from this development. The council has incurred costs in bringing the scheme to this point but considers the proposals at each milestone in order to make an active decision to progress. The strategic

objectives for the project were confirmed within the Outline Business Case (OBC), which informed the consideration of OS225 and CAB3144(SA). The OBC explores a number of options for delivery of a development scheme on the Carfax site, their opportunities and risks. Key areas are further set out within this report.

- 12.2 The option of WCC undertaking the development was ruled out as an appropriate way forward after Risk Workshops in January/February 2019 on the basis of the significant development and financial risk that would be placed on WCC.
- 12.3 Wider project options were also discussed through two project Review Panel meetings as part of an Administration review held on the 5th and 20th June 2019. These are also detailed throughout the report and have been incorporated in scheme updates.
- 12.4 The council does not have to progress with the scheme. The Council could cease the scheme development. This would leave the car parking where it is and the associated revenue stream but with abortive project costs of £1,673,000 (Revenue) including costs for the 2016 scheme and £232,000 (Capital) reflecting the costs for submission of the 2019 Outline Planning Application. This approach would not deliver on the economic business case and Council Strategy, nor enhance the public realm and achieve the Gateway improvement sought at the Station and is therefore not the recommended option.
- 12.5 The Council has a choice for how to secure development of the site which had been shortlisted to Income Strip or Sale with outline planning permission. Income Strip and Freehold disposal have been discounted for reasons set out in this report. . The recommended approach, for reasons also set out in this report, is sale of the leasehold interest in the Carfax site.
- 12.6 There are options regarding the disposal route, namely disposal via an OJEU procurement process, or Land Transaction. These matters are addressed in the JLL and legal report and an OJEU procurement route discounted for the stated reasons. This results in the recommendation to dispose of the site through a land transaction – i.e. disposal of the leasehold interest in the site. The council does not have to accept the LEP grant, though this is not recommended as it would remove funding needed to support the delivery of the Carfax development and delivery of the stated public realm improvements.

BACKGROUND DOCUMENTS:-Previous Committee Reports:-

CAB3144(SA)	STATION APPROACH – OUTLINE BUSINESS CASE and associated matters	25 March 2019
OS225	Station Approach - Outline Business Case and Associated Matters (less exempt appendices)	20 March 2019
CAB3101(SA)	Economic Appraisal and Business Case Preparation	18 December 2018
CAB3083(SA)	Station Approach Update	4 October 2018
CAB3055(SA)	Station Approach – Update Report	12 July 2018
CAB3021(SA)	Station Approach - Public Realm Strategy and Masterplan Framework	27 February 2018
CAB3001(SA)	Station Approach – Update	28 November 2017
CAB2959(SA)	Station Approach – Appointment of Design Team	14 August 2017
CAB2864	Station Approach – RIBA Plan of Works Stages Documentation	20 March 2017
OS157	Station Approach – End Stage review report for the competitive dialogue process	30 November 2016
CAB2852	Station Approach - Procurement Process Update	17 October 2016
CAB2829	Station Approach - The Way Forward	7 September 2016

Other Background Documents:

- Browne Jacobson summary legal advice re Disposal of Carfax site

APPENDICES:

- Appendix 1: Project Expenditure and Budget Requirements
- Appendix 2: Summary of Key Risks.
- Appendix 3: Summary of Soft Market Testing Feedback
- Appendix 4: JLL Report on Disposal Options and Approach
- **Exempt** Appendix 4a: JLL Report on Disposal Options and Approach
Chapter 3: (Market Interest and Viability)

- **Exempt** Appendix 4b: Additional information requested by a member of the scrutiny committee
- Appendix 5: Income Strip Lease Structures
- Appendix 6: EM3 LEP Heads of Terms
- Appendix 7: Illustrative Timelines for Carfax and public realm
- Appendix 8: matters raised by Scrutiny Committee 14/8/2019
- Appendix 9: draft minutes of Scrutiny Committee 14/8/19 **(TO FOLLOW)**
- Appendix 10: Public Realm RIBA equivalent stage 3 report
- Appendix 11: Full risk register

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Appendix 1: Project Expenditure and Budget Requirements

Table 2 Budget and Expenditure Summary - Revenue

REVENUE	Carfax	Public Realm
Approved budget	Revenue: £1,550,000	Revenue: £225,000
Expenditure (on current project)	Revenue: £1,264,701	Revenue: £179,805
Committed or Planned	Revenue: £235,930	Revenue: £89,445
Remaining	£49,369	- £44,250

Table 3 Budget and Expenditure Summary - Capital

CAPITAL	Carfax	Public Realm
Approved budget	Capital: £1,800,000	Capital:*
Expenditure (on current project)	Capital: £321,234	-
Committed or Planned	-	-
Remaining	£1,478,766	-

*£5m approval from Enterprise M3 LEP pending signing of final agreement (including c.£1m for Carfax)

To select a site purchaser, the following budget requirements have been estimated and Cabinet are asked to approve the necessary budget

Table 4: Budget requirements to progress the disposal of the Carfax site through a selection process.

Work Area	Estimated Budget Requirement
Legal fees	£75,000
Fees including for Strategic Consultant advisor, site marketing and purchaser selection process	£75,000
Design Team and Technical Consultants fees	£50,000

Contingency	£20,000
Total Budget requirement for marketing and disposal	£220,000

For the public realm works, the budget requirements set out in Tables 3 and 4 are estimated to take this part of the project forward through RIBA equivalent Stages 4 (Technical Design) and 5 (Construction Management). There is no new budget request required for these works.

Table 5: Budget requirements to progress the public realm works from RIBA equivalent Stage 3 to end of RIBA equivalent Stage 4 (funded from LEP grant)

Stage 4 Technical Design	Estimated Budget Requirement
Hampshire County Council	£185,000
Lifschutz Davidson Sandilands	£20,000
Chris Tipping (Public Art)	£10,000
Total Stage 4	£215,000

Table 6: Budget requirements to progress the public realm works from RIBA equivalent Stage 4 to end of RIBA equivalent Stage 5 (funded from LEP grant)

Stage 5 Construction/Site supervision	Estimated Budget Requirement
Legal fees	£15,000
Hampshire County Council	£330,000
Total Stage 5	£345,000
Total St 4 and St 5	£560,000

Appendix 2: Summary of Key Risks.

Key Risk 1: Change in commercial market and/or financial markets affect finance, costs, pace of letting and/or rents. This may cause:

- Significantly increased cost of borrowing
- Increased cost of construction
- Delay in project programme
- Impact on the interested businesses
- Uncertainty about, or inability to achieve level of rents to maintain scheme viability Impact on the local economy
- Impact on the Council's Medium Term Financial Strategy

Key Risk 2: Outline planning application decision delayed or refused, designs are rejected and gateways not approved. This may cause:

- Delay in project programme, and impact on LEP grant
- Changes to the programme and scope of the project incur additional fees under the contract
- Additional Design Team's fees for amendments/reviews
- Impact on the interested businesses
- Impact on the Medium Term Financial Strategy

Key Risk 3: Public realm design stages are rejected and gateways not approved. This may cause:

- Risks to Council's reputation
- Delay in project programme
- Changes to the programme and scope of the project incur additional fees under the contract
- Impact on interested businesses
- Impact on the Medium Term Financial Strategy

Key Risk 4: Delays to agreement to delivery route/appointment of site purchaser/. This may cause:

- Financial exposure
- Impacts on programme
- Impacts on confirmation to LEP for securing £5m grant

Key Risk 5: Project does not result in development. This may cause:

- Requirement for capital costs to be repaid through revenue budget.
- Requirement to refund any LEP grant claimed, for example if a Carfax scheme is not built

Key Risk 6: Pressure on delivery timescale to ensure securing tenants for site, LEP Grant and retain public support. This may cause:

- Pressure put on project programme removes contingency from design, business case and delivery stages
- Work is commissioned at an agreed level of financial risk

Key Risk 7: Change in Project Scope. This may cause:

- Risks to Council's reputation.
- Impact on delivery of Council Strategy outcome
- Additional budget requirement

Key Risk 8: Right of Light potential Issues identified, but of a low likelihood. This may cause:

- Delay and additional cost – but this is assessed as a minimal risk in an urban context

Key Risk 9: Network Rail governance and HCC approval or delivery process: Public realm design work delayed or agreement for works cannot be reached in a timely manner on land controlled by 3rd parties (Network Rail, HCC), results in not being able to meet required LEP spending programme. This may cause:

- Bid for Local Enterprise Partnership (LEP) funding is partially unsuccessful or cannot be spent by the deadline
- Loss of potential £5m grant
- Loss of opportunity to enhance areas of public realm
- Carfax scheme not enhanced by public realm works

Key Risk 10: EM3 LEP Agreement conditions and spend dates not achieved. This may cause:

- Council would become liable. Cost to the council through having to pay back grant that has been claimed if key outcomes are not achieved (building of Carfax scheme)
- Loss of potential £5m bid or less spend within LEP timeframes
- Loss of opportunity to enhance areas of public realm
- Carfax scheme not fully enhanced by public realm works nor supported by LEP funding
- Potential viability issue for Carfax scheme through reduction in/loss of grant

Key Risk 11: Disposal of the site via a competitive process to secure a purchaser not being conducted under the PCR (i.e. by OJEU),

- Legal challenge
- Consequent delay (even if successful in defending a challenge)

Appendix 3: Feedback from Soft Market Testing

Summary Feedback from Soft Market Testing

**Feedback from multiple interested site purchasers
– anonymised where necessary to protect confidentiality**

Carfax Development Opportunity, Station Approach Winchester

Please identify whether you would consider undertaking a development based around:

1. A leasehold disposal

- Yes – subject to the terms of the gearing and covenants of the lease / consents required for lettings, alterations etc.
- Obviously the more onerous the lease the lower the site value or possible non viability.
- Probably more applicable to occupiers who would wish to prelease one of the two office buildings proposed from the developer.
- A Leasehold disposal would require a minimum of 125 years, with a small Ground Rent, and preferably not geared.
- A long leasehold, at least 125 years, yes.
- Yes, based on a 250 year lease.
- A leasehold disposal would ultimately have a small impact on value. More of an issue is that it narrows the market for buyers as some international investors will not purchase leaseholds. The respondent would consider the site on this basis.
- A long leasehold interest (250 years plus) at a peppercorn would be the preferred structure which would enable the Council to retain some control over the eventual estate and that this route would enable WCC to achieve the right design outcome. From experience with funders rent sharing leases are the least favourable interest and will significantly reduce investor interest and values .As an example, on a previous respondent scheme with a Council landowner an original rent sharing structure converted to a peppercorn with the Council receiving 100% rent from a defined unit within the scheme in lieu of a land payment which suited the Council and culminated in strong investor interest and led ultimately to a successful transaction.

- The respondent would seek a long-leasehold interest from WCC. This would be for a 250 year term. A geared interest on Building 1 would be possible, with WCC receiving 5-10% of rents received.
- The respondent will consider this on say a 250 year lease at a peppercorn.
- Yes but the term would need to be sufficient for funding at a peppercorn e.g.150 years minimum.
- Possibly but values will be impacted and the interest from investors will be limited
- Based on the outline planning permission in place to date. We would offer a receipt of c.£** and head rent payable to the council of c.£** per annum on a subject to planning basis for the long leasehold interest over a 250 year period. The parameters of the revised planning permission would need to be defined to determine the exact consideration and head rent.
- Yes, the respondent would consider a leasehold development as long as this was a long leasehold ideally in excess of 150 years and preferably 250 years. We would two options. Either a fixed annual ground rent at a sensible and sustainable level, which can be index linked or with fixed annual uplifts. Alternatively the respondent could do a percentage of the rent receivable each year capped at c10%. The higher the ground rent or annual rent the lower the initial capital receipt would be. These are not so much the respondent's development rules, as the underlying investment market.

2. A freehold disposal

- Yes – Preferred option.
- A developer might well want to buy the site outright and perhaps amend the planning – it is unusual for a developer to be the outright purchaser of such a prominent site.
- A Freehold disposal is not a pre requisite for our involvement.
- Inevitably this would ensure the best financial value for the site. The respondent would prefer to work on this basis
- This would be the most marketable title from a developers/funders perspective but appreciate would not afford any income to WCC unless it wished to forward purchase elements ,although the Council would lose control of future long term use and control of the of the site.
- No
- Always desired but if not possible perfectly willing to progress on 1.
- This would be preferred compared to a long leasehold.
- As above but the freehold may increase the interest from funds.

- Based on the outline planning permission to date. The respondent would offer a capital receipt of c.£** on a subject to planning basis for the freehold interest. Should we increase the gross development area (GIA) through a revised planning application we would offer a planning overage of c.£** psf.
- Yes, the respondent would be very interested in a freehold disposal and this in many ways would be the simplest and most attractive route. Although we recognise this is probably least compatible with Winchester's requirement to create an income stream.

3. A disposal via an Income Strip approach

- This would be considered but given the respondent's reasoned approach to developments this is possibly not the most equitable option for the Council.
- Unlikely that a developer is going to commit to building either of the two office buildings speculatively without one of the office buildings being pre-let as per 1 above.
- An Income Strip approach has the ability to generate the Council a very large capital receipt and/or significant profit rent. It could also make the likelihood of the scheme progressing much more likely.
- The Income strip approach could be modelled to provide a number of differing scenarios based on the Council's appetite for a capital receipt or a profit rent. Furthermore, the Income Strip could be modelled to take the development 'off balance sheet', if required and subject to confirmation from the Council's own auditors. The respondent would be delighted to discuss this approach in more detail should the Council wish to.
- No
- Yes
- If the council are offering to effectively underwrite the development with an income strip arrangement (and declare the long-term liabilities on the council's balance sheet) would it not be more beneficial for the council to undertake risk controlled direct development on the basis of secured pre-lets prior to committing to the construction phase of any development. This is an approach/strategy that xxx is running with a number of councils to achieve retained long term income for councils.
- The respondent is currently working with another council on this basis and would be happy to explore this further with the council.
- The respondent have been in discussions with a number of local authorities who have been considering the adoption of an income strip approach where viability/deliverability is preventing the private sector from coming forward with

schemes via normal funding structures. As the income stream is effectively Government backed the larger Institutional funders have a strong appetite for these type of leases and the corresponding yields have a major impact of the fundability of a scheme. In this case in particular the speculative nature and size of the office building will be scrutinized to gauge the prospect of early pre-lets . The respondent assumes there is some tangible interest in the space already? As long as the Council are happy with the gap between the ERV and the pay away element then this option is definitely worthy of serious consideration if the Council are committed to the existing scheme. This structure will however place the burden and risk of letting the building on the Council.

- Yes or a Joint venture combination approach
- The respondent would seek a lease from WCC for Building 2. As part of the transaction the respondent would bring forward a tenant that would sign a 25 year lease with RPI increases. This underlease would be for the benefit of WCC.
- As a caveat, this lease would be to a hotel operator. The design principles of B2 would not change from a bulk or massing perspective; neither would the fenestration or articulation of the façade. However, a change of use to part C3 would be required under the Reserved Matters.
- This would not interest the respondent.
- An income strip would be the ideal scenario as it would make the scheme fundable at the outset, without the need for pre-lets on the majority of the space proposed. The scheme could go ahead without delay. Combining this with pre-lets would minimise the risk.
- The respondent would consider this option.
- This option would mean a nil capital receipt and income of c.£** per annum net of finance costs in perpetuity. As an indication long-term finance can be in place at c.2% per annum for a 30-year period. Under this scenario the developer would retain the freehold interest in the site. The council would own the long-leasehold interest over a 250-year period. The parameters of the revised planning permission would need to be defined to determine the exact consideration and head rent. This option is an indication of the income the proposed scheme could generate, given the pre-lets appetite as noted to us, the developer, by the council. This option would constitute a full Joint Venture between the Developer and Council. It should be noted that the respondent is happy to negotiate a happy medium in terms of the offer; we are flexible and can work towards tailored financial approach to suit the councils demands.
- Yes we would consider an income strip model, but for this to work most cost effectively this would require Winchester to take an overriding lease on the

development. The rent would be below market rent and normally index linked, which reduces the Council's exposure, but the annual rental obligations would still sit on the Council's balance sheet until the space is sub-let. The respondent would be very happy to work through this model with the Council.

Please identify your views on the:

4. Parking provision

- Ideally the respondent would like more parking given the current demand for parking within Winchester. We are aware that the Council team are working on solutions for park & ride plus town centre parking additions to existing provision. The respondent would seek to optimise the parking provision with the environmental foot print fully considered.
- 1: 4,000 possibly 5,000 sqft. This is such an aspirational scheme to ensure that the orientation and travel to and from (and within) the centre of Winchester becomes fundamentally changed, transitioning as it inevitably will, to an Electric vehicle and bike led, and pedestrian community.
- On the face of the outline design and application proposal, the car parking does seem light. However, given the County and Council's plans for additional and support of the existing park and ride provision, the level of car parking could be acceptable. The respondent understands that the Council have had dialogue with potential end occupiers and also taken advice from JLL as consultants in this regard. At this point in time, they are therefore best placed to advise on the level of parking provision.
- Sufficient for the scale of development and having in mind location adjoining the train station, the station's own provision and that of the surrounding area. It must be considered also that car usage will be changing dramatically during the lifetime of the asset and that future trends must be considered. Electric/driverless scenarios.
- Parking at a ratio of 1:1,000 sq ft would be competitive with other South Coast city centre office schemes
- No real views, parking becoming less important to occupiers
- Current provision is light in terms of ideal numbers for letting – but understand the need for quantity to be balanced against general parking provision/access within the city centre. Proximity to the rail station is a significant benefit
- The respondent has worked on buildings in urban environments with little to no car parking and whilst not ideal, solutions have been found off site to accommodate spaces that are required. The council's response at the

developer day was perfect and we would work with all incoming tenants and the council to secure a holistic approach to their parking needs. The fact there are park and ride solutions and extra spaces coming ensures a tailored approach would work. The respondent as developers would be promoting occupiers take less spaces and rely more on the excellent transport connections. There is the chance for Winchester to be a true exemplar of car parking.

- We note that the car parking provision for the office element is provided in a unified basement. From a cost and phasing perspective we would instinctively seek to look at whether there are more cost effective solutions. Car parking provision is of course a balance between policy, political and market expectations but we note that delivering a carbon neutral scheme might be important so this will need further investigation. This would look to better understand longer term car demand and how evolving changes to the Cities road network could impact upon this location whilst seeking to make use of both public transport and the existing Park & Ride infrastructure. This would need to be balanced against Occupier demands to ensure the Building is Let to its full potential.
- Some occupiers, particularly those used to taking space on high quality business parks, will look for a parking ratio of 1:250 sq ft of lettable floor space. Therefore although Station Approach benefits from an excellent public transport infrastructure, the proposed parking standard may marginally reduce the appeal of the location.
- If part of the scheme was to be for hotel use, the full extent of parking would not be required. An allocation would still be needed but a design review with LDS and the transport consultant would be sought.
- In another UK location where we are on site, we have 1:1,000 sq ft. We need to attract as wide a demand as we can and it would not be in anyone's interest that a letting is precluded due to inadequate parking. In the real world the respondent finds that a good part of the parking allocation is not actually taken up but this is a large scheme so we need to offer the widest possible berth. We are known for being up front and not telling owners what they might want to hear just to secure the scheme. Thus, the respondent would make provision for 135 spaces as per your outline application but we would be very surprised if they were fully utilised. We would expect to have a number of electric charge points to cater for what will be the increasing use of electric cars.
- The current parking provision under the planning permission is satisfactory for the proposed scheme i.e. just above the ideal ratio of 1:1000 sq ft
- More parking is attractive to tenants but it comes at a cost. The respondent would want to undertake further analysis.

- Given that plans are proposed by the City Council to provide park and ride schemes the respondent would look to reduce the amount of parking on site from 135 to 25. In lieu of the parking spaces we would opt for a leisure facility which the scheme is currently lacking.
- This is relatively high at the moment for a location adjacent to the station, but we recognise that a holistic view needs to be taken with what is happening with car parking across the whole of Winchester so there is still sufficient parking to support the local economy and tourism. If looking at the scheme in isolation as town centre office block by the station the respondent would significantly reduce the amount of parking.

5. Phasing/Timeline for Letting and Development

- Phasing would be considered and is quite feasible but given the occupier interest and grant timelines the respondent would seek to commence the development as a whole subject to any major economic shock. Lettings – Pre letting is difficult before the commencement of the development but once construction has started the respondent would generate more interest from a strong marketing campaign in conjunction with the council team building on their work to date.
- From detailed planning one would budget for circa 2 (years?)
- This would need to be considered during and in conjunction with the Council and their advisors (JLL), during the dialogue stage of any procurement/disposal.
- Current proposed timeline is very tight (recommendable at the start of a project to keep project team focus) however, there are areas of concern. Not enough time has been left between selection of Development Partner and start on site of main works if a reasonable amount of time is being left to secure a significant prelet (6/9 months) prior to start of construction. Many developers will not be able to secure finance to start construction if a pre let is not signed and in place. It may be that the Council will have to progress a pre let significantly during 2019/early 20 on behalf of the DP to keep to such a timeframe. This in turn may concern some development partners.
- Subject to the outcome of market testing.
- Opportunity to phase will be beneficial
- Would be led by the political will to progress the scheme and the approach to be adopted
- The scale of development here is significant and the respondent believes the entire site could be developed out in one phase. It is for the respondent to

better understand the market and the latent demand before committing to that. Certainly phase 1 would include the retail/café/amenity and the first office building. It may also include the second office building depending on occupier demand which would be understood well in advance of starting on site. From experience offices of this scale take circa 12 months to lease and the respondent would suggest on site development is circa 2 years.

- The respondent appreciates having looked briefly at the planning application that there has been a significant body of work behind the submission so their comments are just an initial snapshot but, to re-iterate the comments in point 4. Above, the respondent's view is that the scheme is prescriptive and the phasing is largely dictated by the construction process. It appears therefore that other than the restaurant it seems that the buildings can only be delivered realistically in one phase. If a pre-let can be secured for a whole or significant parts of the offices then that would work but knowing how the market changes the respondent feels that the scheme might need to have some further flexibility built in. If there is limited scope to achieve this then I think the developer would need time to market test and put in place pre-lets before commencement to secure funding. The income strip approach would however deal with the funding if the Council decided they were confident about the letting risk so this could be a solution to expedite the development.
- The respondent believes the development would be best undertaken in one phase, which would take about 24 months and it is anticipated that subject to WCC approvals, the pre-construction period would be between 12-15 months.
- Under the lease from WCC, the first phase would be commenced once design had been progressed to completion of Stage 3(+). This first phase would be the full "Basement box" and B2. B1 would then be progressed once a pre-let had been achieved for at least 40% of the floorspace.
- The respondent sees no reason for delay so happy to get on with it.
- Both dependent on whether an income strip forms part of the proposal. Without this option, commencement of the development will be subject to securing pre-lets for the vast majority of the whole building, which could be difficult to achieve given the size of the building and the number of potential tenants involved. Without converting the number of pre-lets to agreements for lease, the building/development may not be fundable.
- The respondent would be led by the market demand.
- Given that the current application is outline only, the respondent would look to take design to stage 4 within the 6 months of agreeing the development contract, planning would then take a 3-5 months including a JR period. In this planning period, the respondent would look to engage with trades under a Construction Management role. Once planning is secured, conditions are discharged, we have vacant possession and mobilisation is complete the

respondent would look to complete the works in 18-24 months. This is summarised as follows:

- Development agreement July – August 2019 Assemble design team and undertake detailed design August – January 2020 Planning submission – February 2020 Planning consent - July 2020 Contractor tendering and mobilisation March – June 2020 Start on site July 2020
- The respondent believes there is significant demand from office tenants in Winchester and have a number of pre-lets already interested in the site. So ideally the respondent would deliver the scheme in one phase, but would want the ability to deliver in two phases if there was a market slow down or benefits in timing the delivery of space for a specific tenant.

6. Whether a Carbon Neutral development could be achieved

- Yes it is possible subject to off-site purchases.
- Mandatory –again aspirational to achieve BREAM excellent if not outstanding
- This would need to be considered in the round during the dialogue stage and have consideration to the method of procurement / disposal by the Council and its preferred development partner.
- This should be a serious consideration for the development team but commercial viability must be sustainable and key objective so that the buildings are delivered as requested by the Council.
- Cannot comment at this stage
- Difficult
- A Carbon Neutral scheme could be developed but the additional development costs would have to be reflected in the rental/return levels which could then potentially restrict the lettable area as rates per sqft would need to increase to compensate – unless a significant anchor tenant could be secured that was looking to make a “green credentials” statement and to pay for it. Possibly adopt a different approach on each of the two buildings?
- The respondent is working on this on a project in central London and in short, the answer is yes. This is a cost analysis exercise and would be addressed alongside other building enhancement opportunities. Commonly this is a balance between what can be achieved on site and then counter balancing that with a level of offsetting
- The recent UK Green Building Council definition of Net Zero Carbon clarifies that both embodied carbon from materials, and operational carbon from building energy usage should be considered. For new developments, minimising both these areas could and should be an area of focus, especially in light of the recent government commitment to Zero Carbon by 2050 and the

Councils own accelerated target. Measures would include design solutions which seek to minimise concrete and cement usage, and energy efficiency measures coupled with electric low carbon technologies, plus on-site generation (i.e. PV panels) where possible. For dense urban sites it is envisaged that these measures alone will still lead to some net carbon emissions, and therefore some degree of carbon offsetting (for example via off-site renewables) would likely be required for this site to achieve Net Zero Carbon.

- The highest environmental standards as possible would be achieved. The respondent would aspire to achieve a carbon neutral development. However given the additional costs in ultimately achieving this it would be dependent on the land value required by WCC.
- The respondent has worked extensively with (a named consultancy) previously. The respondent has also acted on schemes that have targeted BREEAM Outstanding and renewable technology has been incorporated from the outset of the design process. With the proposed mix use approach, a more sustainable building is possible as the heat rejection from the office element can be used for the hotel. A “Sustainability Agenda” would be proposed from a re-mobilisation of the design team to prioritise this part of the brief.
- A Carbon Neutral building could be explored but construction methodologies and servicing strategies would need to be understood in greater detail.
- The respondent will need to take advice on this but will do whatever we can having regard to cost.
- Potentially, but cost, return and viability would need to be analysed first.
- Yes but dependent upon cost
- Given that this is a new build development on a large unconstrained site, the respondent is are confident we could provide a carbon neutral offering. Having liaised with their services consultant they are happy to provide initial comments if needs be.
- The respondent is a market leader in Europe in delivering carbon neutral buildings and have delivered a number in this capacity. The respondent is also the only developer and contractor in the UK who has committed to map their entire carbon footprint on all our schemes going forward. It is achievable to be carbon neutral, but there is a cost implication and this would either impact the land price or rental level. The respondent can explore the options with the Council in great detail as there is still the ability to deliver a very green building that keeps carbon very low and does not mitigate rent and returns.

7. Other Environmental Best Practice for incorporation

- Other forms of renewable energy could be incorporated in to the scheme subject to viability / subsidy. Best building practice would be followed and this includes seeking the most environmentally efficient form of construction.
- The respondent is experienced in the delivery of BREEAM accreditation for developments and would also recommend that practical and tangible environmental technologies that have a positive effect for owners and end users are considered.
- BREEAM Excellent. Wellness Gold Certification
- Bream Excellent, EPC A, Well Enabled
- Assume the council would insist on a specific BREAMM rating as part of the planning approval – Good/Excellent/Outstanding. Again, each of these has financial impact on the development costs/viability
- The respondent’s business has been at the leading edge of sustainability for over 25 years. (redacted to maintain confidentiality – gives specifics of a scheme). We must strive to offer occupiers the best possible space for their people and their core social responsibilities.
- Alongside a challenging carbon reduction target, the project could consider adopting a “Design for Performance” approach, as advocated by the Better Building Partnership. This approach aims to more accurately estimate the in-use energy consumption of office projects, embedding an operational energy target into the procurement of the project. Other considerations would be setting a BREEAM 2018 target, such as Excellent or Outstanding, to drive holistic sustainability. User experience is key in the office market and WELL certification provides a framework to assess the Health and Wellbeing aspects of a building, and could be reviewed as an option.
- WELL certification (www.wellcertified.com)
- This is the respondent’s policy which they intend to continue
- BREEAM and Wired Score accreditation
- The respondent is confident they can achieve BREEAM outstanding on this development for the same reasons as the above. There is room on site for grey water harvesting, green/brown roofs, photovoltaic panels etc for sustainability. In terms of materials we will ensure that recycling targets are met, carbon reduction targets are exceeded and waste is kept to a minimum. A+ rated Energy efficient machinery and appliances will be used as standard where possible, ground and air source heat pumps will be considered over CHP.
- The respondent is market leaders in Europe in delivering carbon neutral buildings and have delivered a number in this capacity. The respondent is

also the only developer and contractor in the UK who has committed to map their entire carbon footprint on all our schemes going forward. It is achievable to be carbon neutral, but there is a cost implication and this would either impact the land price or rental level. We can explore the options with you in great detail as there is still the ability to deliver a very green building that keeps carbon very low and does not mitigate rent and returns.

8. Any other comments

- The respondent is a local development company (redacted as gives geographical information which would identify respondent). The respondent sponsor a number of local clubs and events and work hard to improve the vitality of the local environment.
- The respondent is excited about this opportunity and would be delighted to discuss this further with the Council prior to or during the procurement / disposal process.
- If a strategic partner for other potential developments is envisaged by the Council preference now for a 'mixed use' developer with office capability should be preferred over traditional office developers. If the latter is selected there will be no cross over benefit with residential/retail/leisure/hospitality or cultural uses in these future developments.
- Happy to arrange a meeting to discuss how a direct development approach could be structured and funding arrangements can be created to maximise returns to the council – The respondent works closely with (a named consultancy) on funding arrangements tailored to site specific development requirements
- The respondent addresses property in a very different way. This isn't just an opportunity to create a fabulous new building with wonderful architecture as a new gateway to Winchester. The respondent would aim to deliver a new space for the community not only within the obviously public amenity space but ensuring Winchester residents are proud of what is created and have a level of access to it. Communal spaces aren't just for the building residents they must do more than that and offer the public access too. Managed well this doesn't create any friction, quite the opposite the building's brand benefits from bringing in plethora of exciting/dynamic local business and cultural groups. As do the office occupiers who desire well managed space with a culture of enhancing their brand.
- This development would be a partnership for the respondent; however the deal is ultimately structured. The respondent would want to be fully immersed in Winchester and side by side ensuring we deliver for the residents; business and the cultural scene was invited to support us. The respondent would hope to be in a long term partnership with the council and have experience of

working with other councils such as (redacted as lists other councils which could identify respondent).

- In due course it would be useful to receive any information on potential pre-lets/agency reports if available.
- WCC has alluded to a number of potential pre-lettings. As you will appreciate securing pre-lettings will enhance funding terms and would set a benchmark for rent levels for future lettings. De-risking the development with pre-lets would lead to a larger potential surplus of money that could be allocated to either land or build costs. The respondent would be happy to provide CV's of the principle participants in the respondent's Capital partners who will, together with the respondent's (redacted as identifies respondent), be putting forward proposals for the development of the site. We think the scheme has enormous potential, but does require a close working relationship with WCC to both maximise returns and ensure an exemplar scheme is delivered for the benefit of the City.
- The respondent would welcome the opportunity to discuss the deal structure in greater detail but looks forward to taking forward this exciting opportunity that will help redefine the gateway to the City.
- The respondent and (redacted as potentially identifies respondent) have previously worked with members of the current design team on (redacted as identifies specific scheme which would identify respondent) The design intent, philosophy and architectural expression is clear and will be sought to be protected throughout design development and build.
- The respondent is keen on Winchester as a city where we wish to further invest. We (redacted as potentially identifies respondent) and we have taken a strategic decision to increase our holdings in growth cities such as (redacted as identifies respondent) Winchester (redacted as identifies respondent) has a GDV of c£70m and we are on site.
- The overall design as one building should be considered against two self-contained buildings which could alter the dynamic of the questions/issues raised above and should be explored as a potentially more deliverable option.
- Would you consider delayed land payments? The respondent would build the development in phases.
- As a developer we thrive on working with big institutions and have recently concluded property deals with (redacted as identifies schemes which would identify respondent) to name a few. The respondent would relish the opportunity to work on the Carfax site and partner up with Winchester Council on further developments.
- The respondent are delighted that you are going to achieve outline planning before searching for a development partner and that you do not require an

OJEU process, which would exclude us from bidding. In addition we are keen that the marketing does not exclude developer contractors, as we are bound by our internal processes to use our construction arm and thus we would be keen that this is allowable under the terms of any potential process.

Station Approach

Winchester Strategic Placemaking Consultant

V1 Chapter 3 Redacted



Disposal Options Report August 2019



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1 Introduction

1.1 Context

The Council has undertaken significant work developing the platform to unlock a transformational office led development at Station Approach.

An Outline Business Case prepared in March 2019 outlines substantial strategic and economic benefits associated with delivery of the scheme. For example, in relation to economic outputs, the Economic Case prepared by Grant Thornton (dated 14 March 2019) calculates:

- Gross additional jobs (direct and indirect) – 1,357
- Gross additional GVA (direct and indirect) - £81.3m
- Net present value - £569m (medium estimate)

The Outline Business Case and associated due diligence underpinned a Cabinet decision on 29th March 2019 which, amongst other things, authorised the Head of Programme to submit an outline planning application for the Carfax development scheme based on the RIBA Stage 2 Design Work.

This has led to a live outline planning application to deliver the following:

- Mixed use grade A office led scheme: B1: 17,972m²; A1, A3, A4 and D2: 1,896m²
- Up to 95 spaces associated car parking (reduced from up to 135 spaces originally)
- Minimum of 156 cycle parking spaces
- Retention of registry office
- Access off Gladstone Street
- Diagonal pedestrian route through the site to a raised table crossing on Sussex Street

It is currently anticipated that the outline planning application will be determined no later than the end of October 2019.

The Council has been successful in attracting a grant offer from the Local Enterprise Partnership for £5m of funding to deliver the public realm improvements, plus support certain abnormal costs associated with delivering the office-led development. We understand that the grant offer is subject to achieving spend by the end of March 2021.

The March 2019 Cabinet decision in parallel authorised the Head of Programme in consultation with the Head of Legal to investigate further the two preferred delivery approaches of income strip or sale with planning permission.

The Council now needs to determine the optimal route to move from the current position to scheme delivery. This paper sets out the commercial context influencing the decision and aims to support the Council make an informed choice.

2 Comparison of Disposal Options

2.1 Introduction

The Council analysed five potential disposal options as part of its Outline Business Case in March 2019. These are summarised below:

- **Do nothing** – the site remains as a public car park
- **Sell with outline planning consent** – the Council sells the site with the benefit of an outline consent, for development by a purchaser
- **Joint venture** – the Council invests its land in a joint venture alongside a development partner who finances and delivers the construction. (The Council’s analysis also assumed that the Council buys back ownership of the scheme upon completion. Typically, in joint ventures of this nature, this would not be the case; rather the Council and developer would share the profit generated by the scheme upon sale to an end investor, with the return distributed to the respective parties based on how much investment they had made)
- **Direct development** – the Council constructs the scheme and grants leases for the office/other accommodation
- **Income strip** – a developer delivers the scheme funded by a 40-year index linked headlease to the Council (after which the property reverts to Council ownership). The Council in turn is responsible for all letting/income risk during the term of their headlease

As part of its analysis the Council prepared the following SWOT analyses (in summary form):

2.2 Sale with Outline Planning Permission

Strengths	Weaknesses
Minimal Cost to Council (Beyond Cost of Obtaining Outline Consent) Lowest Demands on Officer Time No Procurement Issues if a Land Sale Reduced Adverse Political Risk Post Sale Quickest Process Lowest Risk	Relatively Small One-Off Capital Receipt Limited Ongoing Income Generation (Potential Ground Rent)
Opportunities	Threats
Quickest Financial Receipt Earliest Business Rates Generation Potential Ground Rent Income	Smallest Financial Reward Loss of Control (Except for Planning and Potential Landlord Rights) Market Conditions may Deteriorate and Render Development Unviable

2.3 Joint Venture

Strengths	Weaknesses
Council Shares Risk with a JV Partner	No Guarantee of Finding a Suitable JV Partner Time/Complexity/Cost of Establishing JV Potential for Future Friction between Council and JV Partner (e.g. Quality, Viability etc.)
Opportunities	Threats
The Council Achieving Proportionate Reward to Risk Commercial Skills and Resource Benefits to the Council	Issues with JV Partner Overtime i.e. Administration Council is Unable to Fulfil its JV Obligations

2.4 Direct Delivery

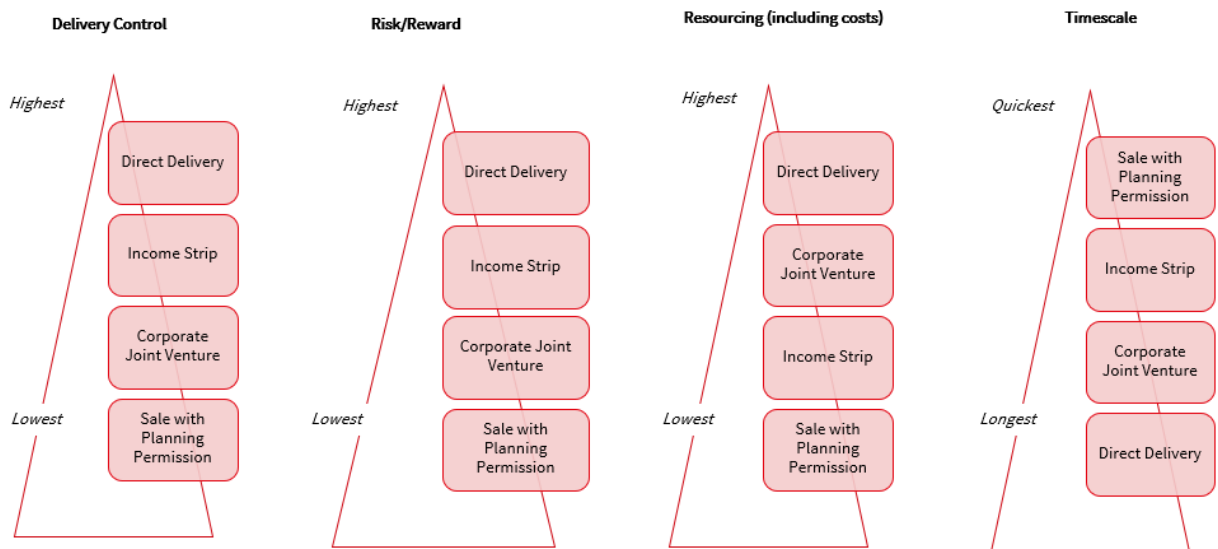
Strengths	Weaknesses
High Reward Ultimate Control Potential to Forsake Return in Lieu of Enhancing Design	Council Takes All Risk Council Procures All Elements Liable for All Void Costs Council Capacity Given All Other Council Projects/Commitments
Opportunities	Threats
Strong Message in Terms of the Council's Ability and Commitment to Deliver	Negative Changes to the Occupational Market and Resultant Inability to Secure Appropriate Pre-lets Holding Costs During Void Periods Greatest Pressure on Officers Highest Reputational Risk

2.5 Income Strip

Strengths	Weaknesses
Not Liable for Construction Costs Ownership Reverts to the Council at the End of the Period	Ownership is Passed to a Developer/Funder for a Fixed Period The Council Guarantees to Pay Rent Regardless of Whether it is Receiving Any Income i.e. Absorbs all Income Risk
Opportunities	Threats
Potentially Quicker Than a JV Model	A Negative Income Stream During the Lifetime of the Agreement (whereby income receivable from tenants does not match index-linked rental commitments under the lease)

2.6 Summary

We agree with the risks identified and the conclusions of this SWOT analysis. In simple terms, this can be summarised in the diagram below:



Leading on from the above SWOT exercise, the Council went on to score the respective delivery options. This again is summarised below (1 = highest score and 5 = lowest score):

	Do nothing – retain car park income	Sell with Planning Permission	Joint Venture	WCC Develops Site	Income Strip
Strategic Case	5	4	1	1	1
Economic Case (direct/indirect jobs and GVA; benefits realisation)	10	4	4	2	2
Financial Case (net cash flow; NPV; surplus/deficit on provision of services; business rates per annum)	14	13	7	10	5
Commercial Case	5	2	4	3	3
Management Case (control; speed of delivery; risk transference)	7	6	9	8	7
Total	41	29	25	24	18
Rank	5	4	3	2	1
Risk	5	1	4	2	3

The Council also undertook a risk moderation exercise in relation to the various options, as summarised in the final row above.

Based on this analysis, in March 2019 the Council decided that either a sale conditional on planning or income strip is preferred and should be appraised further.

2.7 Commentary on the Income Strip Approach

Most examples of income strips from around the country have been used to combat market failure – where the project is not viable on a traditional basis and the local authority has used its covenant, and accepted a long-term transfer of risk, to remove market failure and make a scheme happen which otherwise would not have been delivered. In addition, in relation to income strip arrangements involving office delivery, often the local authority taking the risk has also been an occupier in the scheme.

As per the section below, we do not believe that combating market failure is necessary in the context of Station Approach. This was supported by a recent market engagement exercise (June 2019) which indicated that there is enough market appetite to deliver a high-quality scheme at Station Approach without relying on the transfer of risk associated with an income strip.

Work previously undertaken for the Council sets out that the income strip approach has the potential to generate a higher overall financial (revenue) return to the Council when compared to sale with outline planning consent. However, that this comes with a significant long-term transfer of risk.

The Council has been clear that it does not want to pursue a delivery option which has the potential of becoming loss making in the future. On this basis, an income strip is not suitable (noting that the Council could mitigate but not eradicate this risk by establishing a sinking fund during the positive earlier years of the arrangement, to safeguard against potential negative income impact in later years).

We also note that where Station Approach is successful, the Council may decide to unlock further office-led development in the city – for example on its Cattlemarket site. Should this be the case, then the occupational market for high quality office accommodation on the scale of Station Approach would be better proven. Arguably this may provide a better evidence base on which to base a decision whether to undertake the level of risk transfer required via an income strip.

2.8 Commentary on the Sale with Outline Planning Permission Approach

The main threats associated with this delivery option set out by the Council involved a lack of control and lower financial return, coupled with an inability to generate an on-going income stream if the land was disposed of on a freehold basis.

The due diligence undertaken to produce the Cabinet paper dated March 2019 did not stipulate if the land would be disposed of on a long leasehold or freehold basis. The Council has now further examined the potential for the sale of a long leasehold interest up to 250 years.

Sale of a long leasehold interest versus a freehold interest directly responds to two of these key threats. Firstly, the ongoing role of the Council as landlord does provide an extra layer of rights which are included in the lease. Secondly, it provides the ability to generate an ongoing revenue stream. For example, the consideration (price) related to a sale of a long leasehold interest in the site could include both an appropriate geared ground rent and a capital premium (or either/or).

Subject to viability (see below), this would give an opportunity for example to seek a capital sum to repay an amount of costs incurred by the Council to date, and a geared ground rent to support loss of car parking income on the site.

Sale with outline planning consent remains on balance the market's preferred approach (again as evidenced by the market engagement exercise in June 2019). There was a preference for a freehold disposal, but also good appetite for a long leasehold acquisition.

Moreover, a sale remains the lowest risk approach, and the swiftest to implement.

Therefore, on balance we would endorse the Council's position that a sale of a long leasehold interest (250 years) in the site with outline planning consent is the optimal disposal option.

The following sections builds on this analysis and discusses market interest, viability and a proposed approach to implementing the sale of a long leasehold interest in the site.

3 Market Interest and Viability

4 Proposed Disposal Approach

4.1 Introduction

The previous sections of this report underpin the following main findings:

- A sale of a 250-year leasehold interest with outline planning consent best meets the Council's considerations in respect of risk, reward, resourcing, and timescales. This option also enables the Council, as freehold land-owner, to exercise rights which secure delivery of the scheme in accordance with its overall objectives.
- There is significant market interest surrounding the Station Approach opportunity and that now is an appropriate time to bring the opportunity to the market
- Given recent changes to the scheme, including for example a reduction in car parking required by the market and the resultant opportunity for cost saving and improved scheme cash flow, that viability has improved
- That a disposal process which seeks to drive competitive tension is anticipated to result in a high quality and deliverable scheme coming forward

The following section defines our recommended disposal approach.

Please note that this is written from a commercial perspective only and will need to be informed/verified by your legal advisors to ensure a compliant approach. This is particularly relevant in regard to OJEU procurement legislation.

Based on our discussions with the Council, the objective of the disposal process is twofold:

- To proactively market the opportunity to maximise appetite and interest and therefore optimise competitive tension
- To identify a purchaser which is best placed to deliver the Council's key scheme objectives. To date we would summarise these as the delivery of a scheme which:
 - Demonstrates best practise in low carbon
 - Is high quality in terms of design and build
 - Delivers a financial return
 - Can be delivered efficiently (for example to support spend of the LEP grant before the end of March 2021)

4.2 Approach

Based on the above, we set out below a summary of our recommended disposal approach. Please note that this is a high-level approach which will require further detailed discussion and refinement with the Council prior to launch.

The below anticipates that a Cabinet decision will be made in late August 2019 on the agreed way forward.

Step 1 – Documentation (August 2019 to October 2019)

There is a significant amount of information/documentation to be prepared before the disposal process commences. This is summarised below. It is important to ensure that this information is robust as it underpins the sale process:

- Establish a data room to include a full suite of property and supporting information; the Council already has a good level of property data given its work on the site to date
- Preparation of a very high-quality sales brochure defining the opportunity and sale process (including the approach to evaluation set out below)
- A full package of legal documentation which defines the contractual basis of a long leasehold sale subject to planning

Step 2 – Evaluation Criteria (August 2019 to October 2019)

Working with its advisors, the Council will need to agree its evaluation criteria which both give transparency to the market and allow the Council to select a best-fit purchaser.

Based on discussions to date, we advise that criteria in the following areas are utilised:

Quality

- Track record (by way of relevant examples in the last 3 or 5 years)
- Team and expertise (details of the specific team and advisors)
- Funding (ability to deliver, and confirmation in relation to use of the available grant funding)
- Programme (with anticipated key milestones and supporting rationale/evidence, including the recommended phasing of both buildings)
- Sustainability/low carbon (knowledge and commitment to implementing best practise solutions including by reference to examples; to cover car parking)
- Quality (knowledge and commitment to implementing a high-quality design and build including by reference to track record)
- Planning approach (delivery in accordance with the Outline Application/Consent, or a supporting rationale of benefits underpinning an alternative approach)
- Key stakeholders (approach to consultation)
- Risks (a commentary on key risks and how they are overcome)
- Occupiers (details of known pre-let interest and approach to securing high quality tenants)
- Speculative development (confirmation of position in relation to speculative versus pre-let development)

The underlying thinking in relation to Quality is to identify the purchaser with the best approach to delivery of the scheme, but not so as to specify the scheme under the terms of the land disposal (recognising that as a land disposal not subject to OJEU, that is not possible). These criteria will provide assurance that the right purchaser is selected, aligned with the Council's objectives.

Consideration (Price)

- Financial appraisal (submission of full appraisal to understand assumptions and robustness)
- Non-returnable deposit on exchange (to be put forward by bidders under competitive tension)
- Lease gearing (commitment to a fixed level of gearing to provide an on-going rental income to the Council; level of gearing to be determined but initial thinking is at 5% of overall rental income)
- Capital premium (to be put forward by bidders under competitive tension, and taking account of the requirement for a fixed level of gearing and a non-returnable deposit)
- Overage (to be put forward by bidders under competitive tension, reflecting the above)

The underlying thinking in relation to consideration (price) is to identify financial offers which both seek to provide an income, recognising the loss of car park income, and a capital sum, given the investment made by the Council to date.

Commercial

- Any commentary on the issued suite of legal documentation

We will need to work with the Council to refine these criteria and apply relative weightings.

We will also reserve the right to interview a selected number of bidders to clarify any relevant matters.

Step 3 – Proactive Marketing (launch end of October 2019 to coincide with planning application decision)

As above, the intention is to maximise appetite and interest and therefore optimise competitive tension by prospective purchasers.

We will work with the Council to define a marketing process to achieve this. As a minimum we anticipate that this will include:

- Preparation of a very high-quality sales brochure and data room
- Widespread advertising of the opportunity via recognised property channels e.g. Estates Gazette etc.
- Inclusion of the opportunity on JLL's website
- Discussion of an appropriate launch event
- Ongoing market engagement during the sales process period

We will monitor, with the Council, the economic climate associated with plans to leave the EU and reserve the right to, if circumstances dictate, reassess the optimal time to launch the marketing process.

Step 4 – Evaluation (January 2020)

We anticipate that the marketing process will commence at the end of October 2019. We then recommend giving prospective purchasers circa 10 weeks with bids due back in early January (January 10th).

The last three weeks of January will be used to assess bids received. This period will also be used to interview a number of the best bids received (for example up to four).

This process will allow us to select our preferred purchaser by the end of January 2019.

Step 5 – Contract (February/March 2020)

We have set aside up to two months for all legal documentation to be agreed, and for a conditional sale contract to be exchanged.

Other Matters

Please note that the Council can reserve a right to terminate the disposal process at any stage. Therefore, it is not obliged to select a purchaser and sell the site if at the end of the marketing process it should decide not to.

From a delivery perspective, we note that an OJEU process involves more stages and would therefore likely take longer than a single stage sale disposal process.

For example, a Restricted OJEU procedure would involve two stages (Pre-Qualification Questionnaire and Invitation to Tender) and Competitive Dialogue involves a further stage (Invitation to Participate in Dialogue) which can vary in length depending on the number of dialogue rounds. In our experience, an OJEU Restricted procedure could take up to three months longer than the Leasehold Disposal process described above and an OJEU Competitive Dialogue process could take up to six months longer.

From a market perspective, our experience is that developers and investors would prefer a non-OJEU process due to the perceived additional time and resource commitments that an OJEU process would command.

5 Conclusion

The conclusion of our report is summarised below:

- A sale of a 250-year leasehold interest with outline planning consent best meets the Council's considerations in respect of risk, reward, resourcing, and timescales. This option also enables the Council, as freehold land-owner, to exercise rights which secure delivery of the scheme in accordance with its overall objectives
- A rental value of £35.00 per sq ft will set a new prime rent for the location. There are regional examples where in excess of £35.00 per sq ft has been achieved, notably in Reading. An opportunity exists for a new office development in Winchester to set its own rental tone as there are no existing new build benchmarks for the area.
- There is significant market interest surrounding the Station Approach opportunity and that now is an appropriate time to bring the opportunity to the market
- Given recent changes to the scheme, including for example a reduction in car parking required by the market and the resultant opportunity for cost saving and improved scheme cash flow, that viability has improved
- That a disposal process is anticipated to result in a high quality and deliverable scheme coming forward
- An efficient single stage disposal process of a 250-year leasehold interest in the site subject to planning can drive competitive tension and identify a best-fit purchaser by the end of March 2020



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Appendix 5: Income Strip Lease Structure

1. Structure Overview

- 1.1. The income strip lease structure is similar to a simple sale and lease-back arrangement. An institutional UK Fund ("the Fund") purchases a long leasehold interest in land from the Council. The Council would then enter into an occupational lease (typically for between 35 – 50 years) with the Fund and would have the option to purchase the reversionary property interest for a £1 at the end of the lease term.
- 1.2. In this arrangement an external developer would enter into a Development Agreement with the Fund obliging it to construct the development. As such, the Fund would provide all of the development funding the external developer would be responsible for all development risk.
- 1.3. All figures included in the below are illustrative to demonstrate the impact of the different potential options of the model.

2. Tenancy Arrangement

- 2.1. The lease from the Fund to the Council would contain market standard Full Repairing and Insuring (FRI) terms, including annual rent reviews which could be linked to Retail Price Index (RPI), Consumer Price index (CPI) or fixed annual uplifts. If it is RPI or CPI it will be subject to a minimum increase (e.g. 1%) and maximum increase (e.g. 4.00%) per annum, or a fixed annual uplift. The type of rent review in place will have an impact on the overall pricing from the fund.
- 2.2. On expiry of the occupational lease term, the Council would have the option to acquire the long leasehold interest for £1.
- 2.3. If required, the lease could include assignment provisions to provide an exit mechanism for the Council. The number of assignments would need to be agreed but is likely to be limited to one; it is expected that the fund would require this to be an entity with the equivalent credit rating of the Council and an authorised guarantee agreement is likely to be required.

3. Benefits of the Structure

- 3.1. Risk transfer

The Council benefits in the income strip arrangement by being able to transfer financial and development risks to a Fund. The development would be financed by the Fund (sheltering the Council from the risk of borrowing long-term itself) and, as they appoint the developer, the development risk would also be with the Fund.

3.2. Rent profit

There is also a potential financial benefit to the Council where a profit is made on the gap between rental income and expenditure (being the difference between the lease payment due and rent receivable). If the Council continues to be able to increase the rent receivable with inflation then it would continue to enjoy a surplus. However, there is a risk that in the future, lease payments will exceed income received (see paragraph 4.1).

3.3. Other benefits

- The freehold property interest is retained by the Council.
- The Council has an option to purchase the reversionary property interest for £1 at the end of the Occupational Lease (subject to no default).
- Receipt of a premium by the Council on execution of the Head Lease.
- Capital receipt to the Council on practical completion of the development / execution of the occupational lease.

4. **Risks**

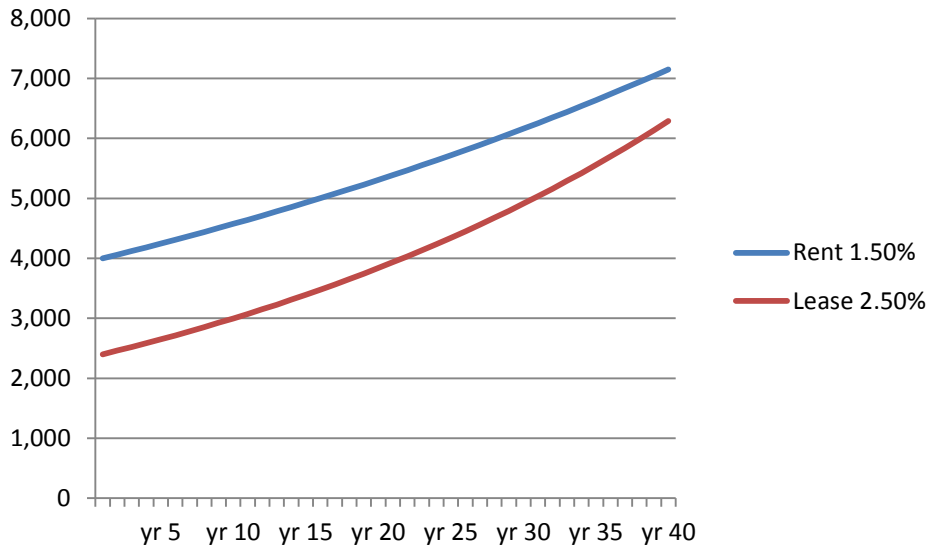
4.1. Rent loss

The rental income achievable by the Council would be subject to market forces. There is a risk that rents received from the developed units will not increase by RPI/CPI over the full term of the occupational lease in order to keep pace with the rent paid by the Council to the developer. It is possible that a significant shortfall in income could arise.

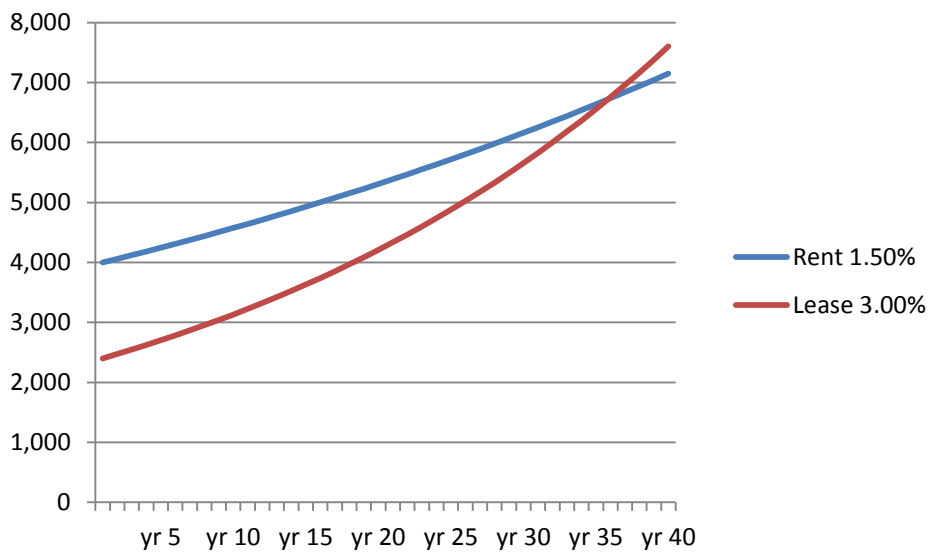
4.2. One option to mitigate this is to create an earmarked reserve funded by an agreed difference between rents received and rents payable early-on in the agreement.

4.3. The scale of the possible shortfall in income (and therefore cost to the Council in later years of the agreement) is sensitive to the rate of increase for both the rent receivable (subject to the market) and rent payable by the Council (fixed inflationary increase in the lease agreement). Scenarios of the impact of rent and lease payments increasing at different rates are illustrated as follows (N.B. these are illustrative values only and do not represent actual rentals expected on the Station Approach scheme):

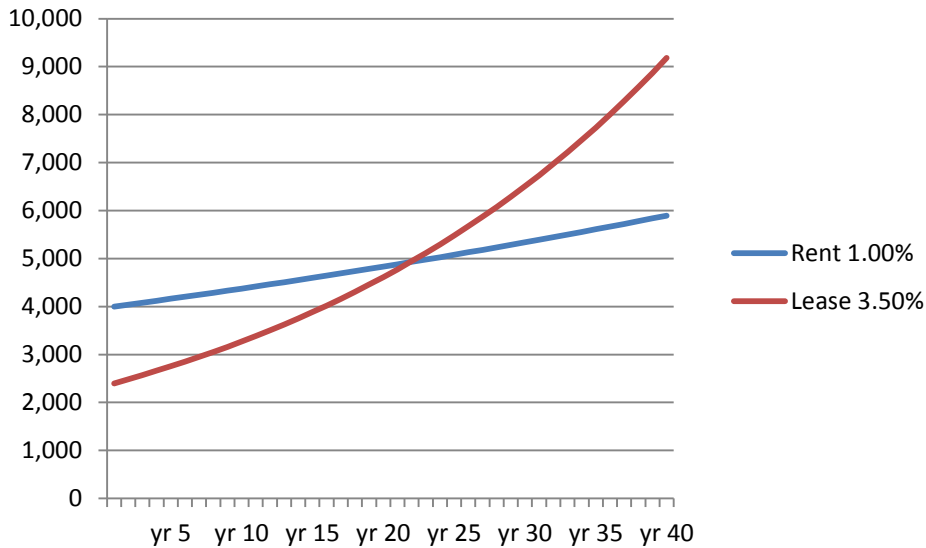
4.4. Rent income increases at 1.5%
Head lease payments increase at 2.5%



4.5. Rent income increases at 1.5%
Head lease payments increase at 3.0%



4.6. Rent income increases at 1.0%
Head lease payments increase at 3.5%



4.7. Letting risk

There is a risk that the Council’s sub-tenants choose not to renew their lease and/or, that in periods of adverse market conditions or potentially through business failure that voids may result. In those circumstances, if new sub-tenants cannot be found or not found at rents of at least the then rate that the Councils is paying under the head lease, the Council could potentially find itself with annual deficits.

4.8. The Council would, in addition to taking all of the letting risk, be liable for managing the building. This would encompass rent collection; the operation and running of service charges; and managing all repairs and maintenance to the building (even though these would not be recoverable through service charges).

Appendix 6 – EM3 LEP Draft Heads of Terms

Parties

Funder – HCC (as Accountable Body for the LEP)

Recipient – WCC

Background

The Funder to pay the Grant to the Recipient on behalf of the LEP to enable the progression of Public Realm works including site preparation works, for the proposed Carfax development.

HCC (as Highway Authority) will deliver the Public Realm works on behalf of WCC; the intention is for Carfax site preparation works to be carried out by an incoming site purchaser following site disposal.

Key Definitions

Grant: £5m to be paid to the Recipient in arrears upon production of a claim form for reimbursement of costs together with supporting evidence (NB WCC are also discussing with EM3 LEP about tranches being paid on letting of contracts, set against stated milestones)

Commencement Date: to be agreed. LEP have proposed date of Agreement.

Grant Period: To fully implement the public realm works and the site preparation works for the Carfax Site and spend by 31 March 2021

Project Period: to be agreed. Project to be completed by this date (inc Carfax development)

Project Definitions: will cover –

- i. Public Realm Works
- ii. Carfax site preparation works
- iii. Completion of the Carfax development (ultimate project output)

Purpose of the Grant

Grant to be used only for the delivery of the Project in accordance with the terms and conditions set out in the Grant Agreement. Grant shall not be used for any other purpose without the prior written agreement of the Funder and the LEP.

Payment of the Grant

The Funder shall pay the Grant to the Recipient in arrears with supporting evidence. Timings of payments to be agreed.

Amount of Grant shall not be increased in the event of overspend.

Third Party Funding

Where the Recipient intends to apply to a Third Party for other funding for the project, it will notify the Funder and the LEP.

Terms & Conditions

LEP standard T&Cs are set out with regard to Accounts and Records, Monitoring and Reporting

Withdrawal of Funding:

Payments may be withheld or suspended if work does not commence within six months of Commencement Date, WCC proposing 12 months – to be agreed with LEP. Grant will only be paid subject to necessary funds being available when payment falls due.

Termination:

The Funder may terminate without liability on three months' written notice should it be required to do so by financial constraints imposed on it by the Government

EM3 LEP may require repayment of Grant drawdown if the project outcomes, including the (ultimate) development of the Carfax site, are not achieved.

Warranties

Including that the Recipient has all necessary resources and expertise to deliver the project. NB WCC has clarified that Grant can be passed on to third parties in whose names works contracts are in place, other than that being WCC and is seeking written confirmation

Schedules to be attached:

Schedule 1: The Project:

- Outputs
- Expected Outcomes
- Milestones
- Monitoring and Reporting

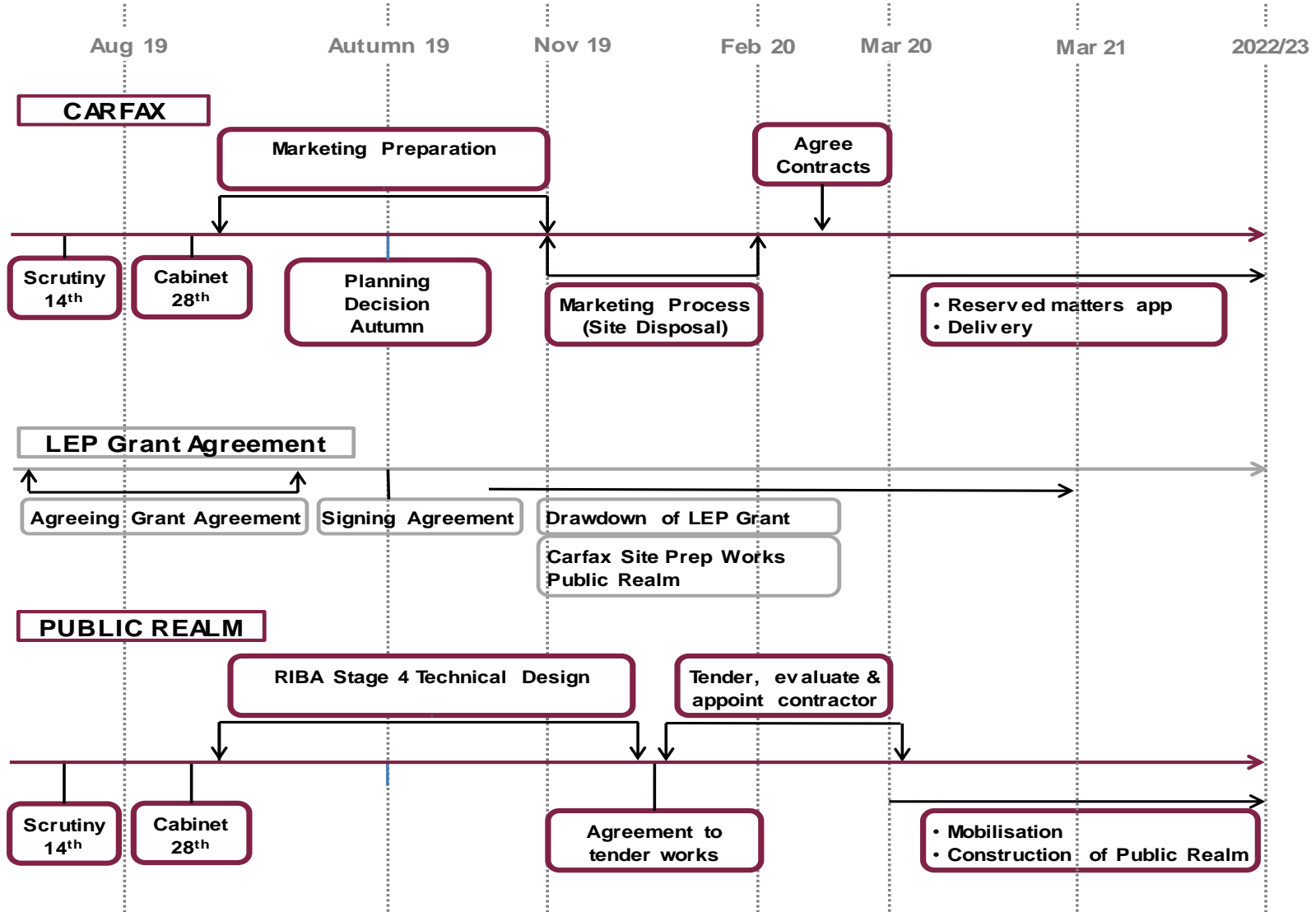
Schedule 2: Payment Schedule against Project Milestones:

- Carfax Development
- Public Realm

Schedule 3: Breakdown of Grant

Schedule 4: Claim Form

Appendix 7: Illustrative timelines



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Appendix 8

Station Approach - Cabinet 28 August 2019

Matters raised by Scrutiny Committee 14/8/2019

This appendix summarises key issues raised at the Scrutiny Committee and gives more information relating to those matters.

Specific comment was put forward by Cllr Tod and supported in general by the committee:

In addition to the other comments made, that Cabinet is further requested to specifically consider the following issues:

- Putting in place a realistic schedule and timing for spending LEP funding that manages the risk of repayment in the event of development problems and the possibility that LEP funding can be suspended by the Government at any time
- As well as defining desired outcomes, setting clear 'go / no-go' red-line criteria as a checkpoint in the developer selection process – including a clear reserve value and a robust process for managing design changes – including legal preconditions and other options to protect the council's interests
- Finding ways to adjust the marketing timing for the project, if necessary, to reflect the likely high levels of uncertainty in the Commercial Property market in November/December 2019 and early 2020."

To assist cabinet, commentary on these proposals is set out in the report and in the paragraphs below

Ref	Issue raised	Comment
1	How the EM3LEP grant spend profile can be understood and managed to reduce the council's risk of payback	<p>The LEP offers grant money on standard conditions as set out in the Heads of Terms. Points of clarification were sought by the Committee such as the likely risk of payback and this has been clarified with the EM3 LEP as set out below</p> <p>The £5m grant approved for the Station Approach project in Winchester is significant consisting of c £1million for a archaeological investigation and c £4million for public realm work. This award has been subject to rigorous due diligence by the EM3 LEP who remain committed to the scheme due to its strong economic benefits and increased focus on clean growth.</p> <p>It is a condition of the LEP grant draft agreement that the grant monies of £5m are spent by 31 March 2021 at the latest and that the whole project is completed by 31 March 2023. The draft agreement contains provision for the project completion date to be extended by agreement between the parties acting reasonably. The LEP have given assurance that, provided sufficient progress is being made against the milestones, then the LEP will not arbitrarily recall the funding if there is some justifiable overrun. The site preparation and public realm works (and therefore the spend of the LEP grant) will be completed in advance of the office development, and the LEP require spend of that money by end March 2021. The council will look to secure flexibility in respect of the project end date under the terms of the grant agreement as much as possible to mitigate risk of grant claw back.</p>

		<p>The table below sets out a projection of milestones and estimated payment timings and amounts. The council will need to be mindful of the progression of the site sale process whilst meeting the LEP spend deadline.</p> <p>The council will also endeavor to pass as much of this potential claw-back risk down to the contractors and professional team responsible for this work being carried out (under their duties of care). In addition, the Council will seek to pass the onto the buyer of the site. However it should be borne in mind that these parties will, in the usual way, seek to cap their liability (both generally and probably in this limited respect of claw back).</p> <p>Overall, the selection of the right developer, and their track record and assurance of delivery, will be an important element towards mitigating this risk.</p>
2	Control of development quality and timing through a leasehold disposal	<p>The sale process for the site will involve testing the track record of bidders, and will be on terms which given the purchasers obligations to meet long dates and adhere to planning requirements which include an outline planning permission. As the sale process will be a land transaction, it will not be possible to specify the works (i.e. define and control the design). However, through the terms of the lease, it will be possible to retain a degree of influence and an ability to ensure that a quality development is delivered. This will include an ability to consider and respond to design changes put forward by the developer. The main determining factor will be the planning process, including outline planning permission, and various means that will regulate the development.</p>
3	How do we achieve best consideration / best value, in particular as they relate to the gross costs of the scheme so far	<p>Under section 123 of the Local Government Act 1972, a local authority has the power to dispose of land with the caveat that an authority must not do so for a consideration less than the best that can be reasonably obtained i.e. the best achievable price in the open market. If the Council can demonstrate that value is being received in other ways that justify the monies foregone to the public purse it may dispose of land at less than best consideration with the consent of the Secretary of State for Housing, Communities and Local Government.</p> <p>The sale process will result in competitive tension between bidders and therefore an assurance that best consideration is being achieved.</p> <p>The gross revenue and capital costs of the scheme see 7 below.</p>
4	The risks of marketing the site in the current uncertain economic climate, in particular relating to Brexit situation	<p>There are potential risks associated with marketing the site in the current economic climate (Brexit) which include:</p> <ul style="list-style-type: none"> • Developer interest • Occupier interest <p>These should be monitored. However, despite these potential risks, advice is that these risks are not significant in relation to the marketing of Station Approach. Due to the medium-term nature of development, developers are well versed in looking beyond current micro and macro-economic environments. The occupational demand for the developed scheme is deemed to be strong despite the current economic climate. This coupled with the very limited supply of high-quality new build space means that the economic fundamentals underpinning development are good. The more general current economic uncertainty will be a factor in the sale, but prospective purchasers will have taken a medium to long-term view of the opportunity. Overall therefore, no advantage is gained by delaying the date until market conditions are seen to be “right”, both due to the LEP funding position, and because there is no obvious prospect of the current uncertainties lifting, This is to be judged against the known market interest, which will have been based on informed judgements.</p>

5	Disposal decision making criteria including legal pre-conditions and other options to protect the council's interests	<p>Cabinet will determine the disposal process at its meeting on 18th September 2019. As part of devising this process consideration will be given as to the appropriate disposal methodology and parameters that should be set.</p> <p>It is anticipated that Cabinet will consider disposal options for the site in early 2020 following the conclusion of the agreed disposal process.</p> <p>The sale particulars will reference the criteria by which the successful purchaser is to be selected. These will be a mix of price and quality factors. Whilst price will focus on the lease premium and rent to be paid, the quality factors will pay attention to factors such as the bidder's approach to design and delivery, access to funding, and marketing approach (to secure tenants /occupiers). The tender invitation will not specify detailed design, but will reference work carried out to date, and point to the overall design philosophy and planning context, Bidders will be encouraged to innovate within that framework. The tender process will be on terms which enable to Council to delay or (if necessary) cancel the process. The criteria may include minimum requirements, as to land value or other factors.</p> <p>The selected purchaser will enter into an agreement for lease containing pre-conditions which will need to be satisfied in order for the lease to be granted; these pre-conditions will be subject to deadlines (i.e. long stop dates).</p>
6	Concern expressed that planning permission is a "fait accompli"	<p>The report makes it clear in recommendations 11 and 12 that the decision on site disposal is subject to planning permission. The further Cabinet report on the disposal approach will be considered after the scheduled planning committee where the application will be determined.</p> <p>As landowner, concerns raised during the planning consultation process have been noted and amendments made to the planning application accordingly. The regional design panel has met with a short commentary of key issues highlighted in this report but their considerations will be available for consideration by the Planning Committee.</p>

7	Clarification of estimated total cost incurred at point of sale	<p>Total anticipated cost of Station Approach project to point of sale: £5,174,728 (includes cost of site, excludes previous procurement process which was £319,288).</p> <p>Budget updated: as at 19 August 2018</p> <table border="1" data-bbox="384 376 1399 1099"> <thead> <tr> <th data-bbox="384 387 603 427">Budget</th> <th data-bbox="608 387 1209 427">Report on spend for Carfax and Public Realm</th> <th data-bbox="1214 387 1399 427">Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="384 434 603 474">Site acquisition</td> <td data-bbox="608 434 1209 474">Purchase of site</td> <td data-bbox="1214 434 1399 474">£2,463,000</td> </tr> <tr> <td data-bbox="384 481 603 521">Carfax Revenue</td> <td data-bbox="608 481 1209 521">Spend to date</td> <td data-bbox="1214 481 1399 521">£1,297,867</td> </tr> <tr> <td data-bbox="384 528 603 568">Carfax Revenue</td> <td data-bbox="608 528 1209 568">Commitments and planned</td> <td data-bbox="1214 528 1399 568">£234,783</td> </tr> <tr> <td data-bbox="384 575 603 616">Carfax Capital</td> <td data-bbox="608 575 1209 616">Spend to date</td> <td data-bbox="1214 575 1399 616">£321,234</td> </tr> <tr> <td data-bbox="384 622 603 663">Carfax Revenue</td> <td data-bbox="608 622 1209 663">Planned expenditure to sale</td> <td data-bbox="1214 622 1399 663">£220,000</td> </tr> <tr> <td colspan="2" data-bbox="384 672 1209 712">Total Carfax</td> <td data-bbox="1214 672 1399 712">£4,536,884</td> </tr> <tr> <td data-bbox="384 719 603 759">Public Realm Revenue</td> <td data-bbox="608 719 1209 759">Spend to date</td> <td data-bbox="1214 719 1399 759">£208,119</td> </tr> <tr> <td data-bbox="384 766 603 806">Public Realm Revenue</td> <td data-bbox="608 766 1209 806">Commitments and planned</td> <td data-bbox="1214 766 1399 806">£42,225</td> </tr> <tr> <td data-bbox="384 813 603 853">Public Realm</td> <td data-bbox="608 813 1209 853">Planned expenditure to sale (taken as end RIBA stage 4 for PR and half of stage 5)</td> <td data-bbox="1214 813 1399 853">£387,500</td> </tr> <tr> <td colspan="2" data-bbox="384 860 1209 900">Total Public Realm</td> <td data-bbox="1214 860 1399 900">£637,844</td> </tr> <tr> <td colspan="2" data-bbox="384 907 1209 947">Total estimated spend</td> <td data-bbox="1214 907 1399 947">£5,174,728</td> </tr> </tbody> </table>	Budget	Report on spend for Carfax and Public Realm	Amount	Site acquisition	Purchase of site	£2,463,000	Carfax Revenue	Spend to date	£1,297,867	Carfax Revenue	Commitments and planned	£234,783	Carfax Capital	Spend to date	£321,234	Carfax Revenue	Planned expenditure to sale	£220,000	Total Carfax		£4,536,884	Public Realm Revenue	Spend to date	£208,119	Public Realm Revenue	Commitments and planned	£42,225	Public Realm	Planned expenditure to sale (taken as end RIBA stage 4 for PR and half of stage 5)	£387,500	Total Public Realm		£637,844	Total estimated spend		£5,174,728
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8	Details on risk mitigation	Full risk register is included as Appendix 9 of this cabinet report																																				

Estimated timeline of key project stages and indicative estimated LEP grant funding spend

Project Stage/ Key Milestone	Indicative Date	Estimated spend	Budget source	
Spend Aug 2016 - Aug 2019**		£4,290,220	Budget already allocated	
On-going Commitments	Autumn 2019	£277,008	Carfax and Public Realm Revenue	
Marketing , evaluation and agreeing contracts	Aug 2019 – Mar 2020	£220,000	Carfax Revenue	
Public realm Stage 4	Oct 2019 – Mar 2020	£215,000	LEP	
Public realm Stage 5 up to sale	Jan – Mar 2020	£172,500	LEP	
Post-disposal expenditure				
Commencement of Carfax enabling works	May 2020 – Oct 2020	£1,000,000	LEP	
Public realm Stage 5 – after point of sale Public Realm Main works contract preparation and tender process	Apr 2020 – Jun 2020	£172,500	LEP	
Public Realm Advanced works (site prep) and construction	Mar 2020 – Mar 2021	£3,058,826	LEP	
Public Realm post construction (defects, landscape establishment)	April 2021 onwards	£381,174	LEP	

**Spend on site acquisition, procurement, design stages to date, Outline Business Case, and outline planning application

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Minute Extract from The Scrutiny Committee held 14 August 2019

1. **STATION APPROACH PROPOSALS FOR DELIVERY AND FURTHER PUBLIC REALM DEVELOPMENT**

(Report SC009 refers)

Four members of the public/representations of local groups addressed the Committee as summarised below.

John Hearn (City of Winchester Trust)

- All car parking spaces should be removed from the proposed development;
- The proposed office development was too tall, too large and too block like. Removing the podium and basement car parking would enable office development to be lowered into the ground. The proposed 2m height reduction was insufficient.
- The design of the public space at the front of the station was unresolved – the carriageway was too prominent and should be redesigned as a uniform pedestrian priority space.

Rose Burns

- Winchester was not a premier business location and its attraction was for its history and heritage rather than for Grade A office space.
- Concerned about viability – build costs were equivalent to London, but in her opinion the rents achievable in the regional market were less therefore should instead be locating grade A office space at areas such as Chilcomb Park, or in Winnall (with reference to the Winnall Development Framework).

Patrick Davies

- Endorsed comments made by Mr Hearn and Ms Burns above;
- Concern that some aspects of the Report were classed as exempt which he considered was not permissible in relation to a planning application.

Ian Tait

- Gave examples of employers who had previously relocated from Winchester due to a shortage of office accommodation of the necessary size and quality;
- Due to sustainable location, all car parking should be removed (particularly with reference to the recent declaration by the Council of a climate emergency);
- On a general point, the Council should also hold a meeting to provide an update on the new Leisure Centre.

At the invitation of the Chairperson, Councillor Miller addressed the Committee and in summary welcomed the report, particularly with the review of car parking provision and proposed reduction in height of development. He emphasised the

support of the Winchester BID and Chamber of Commerce. The scheme would create additional employment and potentially increase the wellbeing of Winchester residents by removing the requirement to commute to work.

The Cabinet Member for Housing and Asset Management introduced the Report and welcomed the opportunity for scrutiny of the proposed decision as a means of reducing the potential risks to the Council. She introduced two representatives from JLL who act as the council strategic placemaking consultants: Mr D Roberts and Ms N Pang who were present to respond to Members' questions as appropriate.

Members raised a number of detailed questions and sought clarification in a number of areas which were responded to by the Cabinet Member for Housing and Asset Management together with the Strategic Director: Place, the Strategic Director: Resources, the Chief Executive and the two JLL consultants, as summarised below:

Exempt classification

- The Chief Executive advised that the Report considered the property implications of the scheme for the Council as landowner, not planning development control matters which would be dealt with separately by the Planning Committee. She confirmed therefore that the exemptions had been properly applied as they related to property matters.

LEP funding and timetable

- Questions were raised around the practicality of delivering the public realm improvement in the 18 month period stipulated and also whilst other building works were being carried out. The Strategic Director: Place advised that the Projects Team had discussed this with the Local Enterprise Partnership (LEP) and considered that although the timescale was tight, it was achievable. In addition, the logistics of site access had been fully examined and it was considered to be practically possible.
- The Strategic Director: Place confirmed that the Council was required to spend the LEP money by March 2021. £1m was allocated towards Carfax site preparation in respect of archaeology and other enabling works
- The Strategic Director: Place advised that a deadline for delivery of a development on the Carfax site was the subject of further discussions with the LEP. Members expressed some concern about how this risk would be managed and queried whether it would be possible to introduce some form of a bond on the potential developer to deliver by a certain date? The Chief Executive advised that the Committee's concerns on this matter would be passed on to Cabinet. In addition, she emphasised that the approval to enter into the LEP agreement would be referred for full Council approval.
- One Member expressed concern that the LEP funding could be at risk from Government withdrawal because of other priorities. The Chief Executive advised that a recent meeting with the LEP had confirmed the availability of the funding, but she would make further enquiries if required.

- One Member expressed concern that the proposed expenditure of £575k on design work for public realm improvement appeared high. The Strategic Director: Place advised that these were detailed at Appendix 1 of the report and included £215k for technical design and £360k for construction/site supervision. Further clarification would be sought prior to the report being considered at Cabinet.

Risk to Council of development not proceeding (regarding repaying LEP monies)

- Concerns were raised regarding the risk of having to repay the £5m LEP funding if the site was not developed, recognising that the proposed disposal of the site would reduce the Council's control. The Strategic Director: Place confirmed that this was a significant risk for the Council. However, the LEP were very supportive of scheme and the significant economic benefits it would bring. The LEP were focused on outcomes and delivery and sought key signs of progress (such as the proposed Cabinet decision on 28 August 2019 and determining the planning application).
- The Council would seek to mitigate the risk, for example by drawing the LEP funding down incrementally. The Strategic Director: Resources advised that £1m had been set aside from the Major Investment Reserve to mitigate risk in early stages.
- The Cabinet Member emphasised that initial design works would not be wasted as it would contribute to the wider movement strategy and other funding opportunities.
- Mr Roberts (JLL) stated that part of the competitive process to identify the purchaser would interrogate the purchaser's ability to deliver the scheme within the timescales required by the Council. The process would also be used to find a purchaser who aligned with the Council's own interests.
- One Member commented that he did not believe it was legally possible to place a positive obligation on a third party to deliver a development. He requested that the following matters be examined in consideration of a suitable contract: pre-conditions to land being drawn down; reasonable prospect of delivery test; and the possibility of structuring contracts to encourage correct behaviours. The Strategic Director: Place agreed to examine these suggestions further.
- The Strategic Director: Place advised that the full risk register was available as a background document to the Report (and would be made publicly available alongside the report to be considered at Cabinet on 28 August 2019).

Cost of scheme to date

- One Member requested that the total cost of the scheme to date be provided and believed that the Council should require the scheme to at least break even. The Strategic Director: Resources agreed to provide this figure for the report to Cabinet on 28 August 2019.

Planning Application and Control of Design

- One Member commented that although some control of design was available through the planning application process, this was limited. The Strategic Director: Place emphasised that the only way for the Council to retain complete control was to develop the site itself. However, previous reports on the Outline Business Case had considered the advantages and disadvantages of different delivery options and Members had previously concluded that the Council should not develop the site itself.
- One Member expressed concern that the timetable appeared to assume planning permission would be granted. The Chairperson responded that there was no such assumption and that separation of Council roles in terms of landowner and granting planning permission were clearly separated and defined as such.
- In response to questions, the Strategic Director: Place advised that the architects LDS had been involved in the proposals to reduce the height of the development. The amended planning application had also been considered by the Regional Design Panel prior to submission.
- With regard to paragraph 11.37, the Strategic Director: Place advised that it was anticipated that the Regional Design Panel report would be received prior to the report to Planning Committee.

Council Strategy Outcomes

- One Member requested that the Council Strategy outcomes be amended to recognise that Winchester had an identified shortage of Grade A office space. In addition the potential impact on the health and wellbeing of residents through the provision of new employment opportunities locally reducing travel requirements should be recognised. The Cabinet Member agreed to have regard to these comments in the review of the Council Strategy.

Public Realm Design

- One Member commented that the current proposals for the public realm had been criticised by the Major Project Review Panel and queried when further opportunities for public engagement would take place. The Strategic Director: Place advised that consultations had taken place in Spring 2019 and a further round of consultation was due in the Autumn 2019.

Proposed disposal of site

- The Council was legally required to obtain the best consideration in its sale of the site. The best consideration would include meeting the Council's objectives for the scheme having regard to the proper methodology.
- The Cabinet Member emphasised that marketing the land for sale of the leasehold did not commit the Council to selling it but offered the opportunity to ascertain what a purchaser would be willing to pay.
- Some Members expressed concern about the timing of the proposed marketing of the site for sale and the potential negative impact of the wider national economic and political uncertainties. One Member suggested that any decisions be delayed until the new year. Mr Roberts and Ms Pang (JLL) stated that their research indicated a positive market appetite for site with a

lack of supply currently available in the local and regional market. The fundamentals of the office market had evolved and Winchester should be seeking to compete with the likes of Basingstoke and Reading where new builds were priced at £35 per sq.ft. (at least). JLL were positive about market sentiment and were aware of a significant degree of market tracking the site. The Strategic Director: Resources also drew Members' attention to the macro economic situation where low interest rates for investments could attract potential developers seeking a better return on investment.

- JLL reported that the soft market testing of the site had been positive with developers not deterred by a reduction in parking spaces.
- One Member commented that delaying a decision risked forfeiting the £5m LEP monies. The Cabinet Member confirmed that every attempt was being made to avoid this scenario, whilst not wishing to sacrifice the quality of the proposed scheme.

Loss of car parking

- One Member commented that there did not appear to be additional capacity in other car parks at peak hours to accommodate cars displaced from existing car parks. The Cabinet Member emphasised that there was no expectation that all cars would be moved to alternative central car parks as the Council would be seeking to encourage alternative travel options as part of its commitment to a climate change emergency. Whilst noting a loss of parking income, the Strategic Director: Resources stated that additional business rate income would be available from any new development.

Following debate of the Report, the Chairperson provided a summary of comments made by the Committee as follows:

- Concerns over repayment of LEP money and flexibility of the LEP timetable;
- Clarification of total cost incurred at point of sale;
- Concern over control of what happens on site after sale;
- Proper consideration of timetable for sale;
- Ensuring that have process for attaining best consideration for site;
- Protection of Council's interest.

One Member requested that in addition to the other comments made, Cabinet be further requested to specifically consider the following issues:

- (i) Putting in place a realistic schedule and timing for spending LEP funding that manages the risk of repayment in the event of development problems and the possibility that LEP funding can be suspended by the Government at any time;
- (ii) As well as defining desired outcomes, setting clear 'go / no-go' red-line criteria as a checkpoint in the developer selection process – including a clear reserve value and a robust process for managing design changes – including legal preconditions and other options to protect the council's interests;
- (iii) Finding ways to adjust the marketing timing for the project, if necessary, to reflect the likely high levels of uncertainty in the Commercial Property market in November/December 2019 and early 2020.

The Committee agreed that these additional points be forwarded to Cabinet for consideration.

The Committee then moved into exempt session to consider the exempt appendices to the Report together with the exempt additional information requested by a Committee Member, before returning to open session to consider the Report's recommendations.

With regard to Recommendation 10 (to Cabinet), one Member queried whether the Strategic Director: Place might need to have authority to enter into agreements with other organisations than the County Council (for example, Network Rail). The Strategic Director: Place agreed to check whether any amendment to the Cabinet report was required.

With regard to Recommendation 12 (to Cabinet), a Member requested that the selection process include cross party representation. The Cabinet Member agreed to examine whether this would be appropriate, having regard to the Council's agreed Contract Procedure Rules.

RESOLVED:

That having considered the contents of the Report and the recommendations set out therein (to Cabinet and Council), Members raise a number of points for the attention of Cabinet, as set out above.

2. **EXEMPT BUSINESS:**

RESOLVED:

1. That in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. That the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute</u> <u>Number</u>	<u>Item</u>	<u>Description of</u> <u>Exempt Information</u>
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Appendix 11 – Full risk register

Risk Number: 15		Risk Owner: Project Executive				
Risk Title: Change in commercial market including post Brexit						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
<p>Change in commercial market Potential occupiers do not sign up for pre-lets of an appropriate level of office space prior to commencement of the development. Economic uncertainty due to Brexit</p>	<p>Purchaser does not commence scheme. Required financial return for the Council is not met Bidders for the site do not submit offers that are attractive to the council; bidder numbers may be limited. Delay in project programme. Changes to the programme and scope of the project incur additional fees. Impact on the interested businesses. Impact on the local economy. Impact on the Medium Term Financial Strategy.</p>	<p>1. Maintain political support to move project forward and prevent delays. 2. Continued economic and political monitoring. 3. bidders for the site to demonstrate how they will secure prospective occupiers , e.g. by way of pre-lets or non binding expressions of interest. . A competitive process to secure a purchaser will provide assurance of genuine demand for the site. The outline planning application route will also b stimulate further market interest. 4. - It will be expected that bidders and the selected purchaser undertake market testing to ensure demand and do so regularly to ensure demand continues. Equally, they will engage with those retailers who have expressed an interest. Because of the significant uncertainties of a Brexit deal and the increased risk of no deal or an early general election, it is not possible to mitigate or quantify every possible outcome. So while mitigation can help to reduce the impact, it is not possible to mitigate entirely against these risks. 5. Comprehensive marketing of the site to generate high levels of interest</p>	Likely	Major	2	£££ - ££££
Further actions		Target date	Residual Risk Score			
			Likelihood	Impact		
<p>Market the site and ensure bidders pursue and demonstrate suitable occupiers Market testing (by the purchaser working with the Council) should also be undertaken to ensure continuing demand. <u>Trend:</u> Increasing</p>		Q3 2019	Likely	Major		

Risk Number: 16			Risk Owner: Project Executive			
Risk Title: Planning application decision delay						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Planning decision is significantly delayed as a result of a political change which result in a change of governance, or issues raised by key stakeholders that require further time to address.	Delay in project programme. Changes to the programme and scope of the project incur additional fees. Impact on the interested businesses. Impact on the local economy. Impact on the Medium Term Financial Strategy.	1. Engage with the nominated Case Officer early in the project process. 2. Ensure that the design principles are in accordance with the themes of LPP2 3. Seek pre application advice prior to submission of the Planning Application 4. Offer direct liaison with key stakeholders on the planning submission, to clarify points.	Likely	Significant	1	£££
Further actions		Target date	Residual Risk Score			
			Likelihood	Impact		
Continue engagement with officers in other teams to identify areas of concern and/or opportunities to enhance a planning application. Retain consultant team to provide further technical advice as required Trend: Increasing		Q2 2019	Likely	Major		

Risk Number: 17			Risk Owner: Project Executive			
Risk Title: Planning application decision refusal						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Planning Permission is refused	Risks to Council's reputation. Delay in project programme. Changes to the programme and scope of the project incur additional fees Impact on the interested businesses. Impact on the local economy. Impact on the Medium Term Financial Strategy.	1. Engage with the nominated Case Officer early in the project process. 2. Ensure that the design principles are in accordance with the themes of LPP2. 3. Seek pre application advice prior to submission of the Planning Application. 4. Offer direct liaison with key stakeholders on the planning submission, to clarify points.	Likely	Significant	1	£££
Further actions		Target date	Residual Risk Score			
			Likelihood	Impact		
Continue engagement with officers in other teams to identify areas of concern and/or opportunities to enhance a planning application. Retain consultant team to provide further technical advice as required. Trend: Increasing		Q2 2019	Likely	Major		

Risk Number: 18	Risk Owner: Project Executive
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Risk Title: Designs and Gateway approvals

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Detailed designs at reserved matters stage not acceptable	Risks to Council's reputation. Delay in project programme. Changes to the programme and scope of the project incur additional fees. Impact on interested businesses. Impact on the Medium Term Financial Strategy	1. The competitive process to select a purchaser will test the design philosophy and approach of the bidders (as a selection criteria) 2. The Council may retain some (but not decisive) influence over the design as landlord, and otherwise may rely on the planning process to regulate the detailed design to ensure these reflect the themes and principles of the Council's objectives. 3. Establish bi-monthly briefings for Cabinet (SA) Committee members and keep other members informed through informal Cabinet. Request delegated authority where appropriate and possible.	Likely	Significant	1	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Agree programme at start of each stage and sign-off with Project Board and Committee members. <u>Trend:</u> No change	Q2 2019	Unlikely	Major

Risk Number: 19	Risk Owner: Project Executive
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Risk Title: Manage public expectation on public realm scope.

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Manage public expectation on public realm scope.	Public concern is raised regarding the public realm proposals cause delays and require additional work at cost.	Mitigate Retain Public Realm spending to within confines of red line and agree this with LEP Maintain communications with LEP and demonstrate in business case how works in advance will support the development of the public realm in line with the LEP requirements.	likely	Moderate	1	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Encourage alternative delivery mechanisms for projects in the public realm strategy that are out of scope for the LEP bid spending. <u>Trend:</u> No change	Q22019	Unlikely	Major

Risk Number: 21			Risk Owner: Project Executive			
Risk Title: Design and public expectation						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Design does not meet public expectation due to limitations of viability or delivery.	Local residents and members of the public feel disengaged in the project or object to aspects of the scheme, leading to dissatisfaction with the development and potential campaigns against the development which may delay matters and cause additional costs to be incurred. Risks to Council's reputation.	Mitigate - 1. Put Engagement and Communication Strategy in place, setting out how to engage interested parties in the design process; implement Communications Plan. 2. Work closely with the Communications team at WCC to ensure awareness of the most recent updates, any concerns for issues that arise which may cause people to raise concerns and engage with stakeholders regularly to ensure they are kept well informed about the project.	Likely	Moderate	2	£-££
Further actions		Target date	Residual Risk Score			
Involve LEP more in process to demonstrate commitment and share issues/opportunities arising which may affect grant spend. <u>Trend:</u> Increasing		Q2 2019	Likely	Low		
Risk Number: 22			Risk Owner: Project Executive			
Risk Title: Stakeholder approvals						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Stakeholder approvals for scheme may not be forthcoming as sought by programme.	Public realm improvements cannot be delivered as per programme. Carfax scheme not enhanced by public realm works nor supported by LEP funding.	1. Continue work with Hampshire County Council to explore potential schemes that could be delivered in conjunction with both authorities to improve the public realm in this area. 2. Involve other agencies, landowners including Network Rail/SW Railway, the BID.	Likely	Major	3	££££
Further actions		Target date	Residual Risk Score			
Further liaison with LEP regarding how funding can be used to support the Carfax development. Agreement for payment to Network Rail to review documentation <u>Trend:</u> No change		Q22019	Unlikely	Major		

Risk Number: 23	Risk Owner: Project Executive
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Risk Title: Changes in markets, costs (including finance and construction costs), and taxation treatment on financial return including post Brexit

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
<p>Changes in markets, cost of construction and/or borrowing (Gilt rate) or other financial/taxation elements mean that the scheme does not achieve a financial return. Changes may occur in rental income, funding rates increases or lease indexation.</p>	<p>Full project business case does not achieve commercial and / or financial viability and as such scheme does not progress via the preferred delivery route Affects finance, costs, and/or rents Significantly increased cost of borrowing. (This would have a greater impact had the Council decided to develop the site/s itself).</p>	<p>1. Ensure that bidders to purchase the site establish the most appropriate business mix to deliver the expected outcomes and that this is backed up with a solid evidence base. 2. Liaise with the Finance Team to ensure the financial models and assumptions submitted by bidders reflect the expected outcomes and they include the latest information that is available. 3. Continue to review costs and values put forward by bidders and the selected purchaser before deciding to proceed to enter into contract. 4. Carry out continual economic and political monitoring. 5. Ensure an element of contingency is built into the purchaser's construction budget. Because of the uncertainties of a Brexit deal and the increased risk of no deal or an early general election, it is not possible to mitigate for every outcome. So while mitigation will reduce the impact, it is not possible to reduce the likelihood of this risk.</p>	Likely	Significant	2	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
<p>Establish processes to promote financial due diligence, whereby any officer or councillor involved in the project receives regular updates on the input assumptions for the financial modelling and is encouraged to robustly challenge these and any subsequent models Accept the financial market risk but mitigate where possible as follows: a. Regular scanning of the financial markets is already undertaken by the Finance Team as part of their treasury management responsibilities, to facilitate early identification of any potential financing implications, and finance officers will be aware of the current options available to keep borrowing costs to a minimum. b. Ensure an element of contingency is built into the construction budget. c. There is a decision gateway in the business case process where the full business case is considered by ELB and Councillors prior to any financing commitment being made. <u>Trend:</u> Increasing</p>	Q42019	Unlikely	Major

Risk Number: 24	Risk Owner: Project Executive
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Risk Title: Highway Authority agreement

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Highways Authority do not sign off on advice given informally.	Design produced using informal Highways Officer advice is not signed off by Highways Authority, or approvals not forthcoming on account of Movement Strategy timetable, or other reasons. Delay in project programme Changes to the programme and scope of the project incur additional fees under the contract Impact on the interested businesses. Impact on the local economy Impact on the Medium Term Financial Strategy.	Mitigate 1. Continually engage with HCC as the designs are developed. 2. An Engagement and Communication Strategy sets out proposals to engage interested parties in the design process. HCC will be a key stakeholder for this.	Unlikely	Significant	1	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Provide further advice to HCC on submission of their comments to the LPA on the outline planning application. <u>Trend:</u> No change	Q2 2019	Highly Unlikely	Major

Risk Number: 26	Risk Owner: Project Executive
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Risk Title: Project delivery

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Project does not result in development	Council then become liable for repayment of borrowed capitalised costs in full.	Accept - Project does not result in development and so capitalised design costs must be charged as a one-off expense to revenue. If these costs have been financed by borrowing the Council must repay the borrowing and finance the costs from revenue reserves.	Likely	Major	2	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
None identified at this stage. <u>Trend:</u> Increasing	n/a	Likely	Major

Risk Number: 27			Risk Owner: Project Executive			
Risk Title: Programme risks in relation to governance, resourcing and contingency						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Pressure on delivery timescale (e.g. LEP Grant).	Pressure put on project programme removes contingency from design, business case and delivery stages	Ensure the purchaser has a risk register to monitor and manage risks to avoid them becoming issues. Manage all parties' expectations for delivery timescales. Identify issues with relevant parties when they occur, and flag impacts on programme. Seek advice on any governance process changes.	Likely	Major	2	££
Further actions		Target date	Residual Risk Score			
Engage in review process from new administration and identify where changes to scope/timetable would impact negatively on programme and benefits to be realised. Trend: Increasing		Q2 2019	Likelihood	Impact		
			Likely	Moderate		

Risk Number: 28			Risk Owner: Project Executive			
Risk Title: Delivery decisions						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Decision on delivery Council's insurance does not cover chosen delivery option insurance requirements	Council takes development route which increases the risks to the Council and requires increased insurance limits and indemnities. Risks not covered by insurance Insurers impose conditions for increase capital spend WCC need to identify a new risk insurer	Mitigation - Advice form the Council's internal and external risk advisors has been obtained to set the current insurance limits. The Council has cover for public liability and employer's liability and can decide to increase this if after a risk re-assessment this is required.	Unlikely	Major	3	££
Further actions		Target date	Residual Risk Score			
Whilst unlikely, if a review of the risk assessment identified a need to increase insurance limits, the Council has the option of requesting contractors to increase insurance cover. Get Council's insurer to assess risk and advise on how to manage May need to expand premiums or insure any additional risks. Trend: No change		Q3 2019	Likelihood	Impact		
			Unlikely	Low		

Risk Number: 29	Risk Owner: project Executive
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Risk Title: VAT Treatment

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
VAT treatment is not properly identified and applied	The Council incurs penalties and/or financial disadvantage	Mitigate 1. Ensure the Finance Team are kept up to date with project progress and current thinking by assigning appropriately experienced finance officers to sit on the Project Team and on the Project Board.	Unlikely	Significant	3	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Put arrangements in place to facilitate engagement with a specialist VAT consultant on a timely basis. Trend: No change	Q4 2019	Highly Unlikely	Low

Risk Number: 31	Risk Owner: Project Executive
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Risk Title: Infrastructure provision

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Existing utilities and their infrastructure cannot support proposed development	Cost of construction increases.	Mitigate - contact all existing utility companies early in the project process to establish the capacity and establish any potential issues.	Unlikely	Major	4	££-£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Keep adequate contingency in viability assessment work. Trend: No change	Q1 2020	Highly Unlikely	Major

Risk Number: 37	Risk Owner: Project Executive
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Risk Title: Capital spend ahead of Planning

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Accelerated project programme implemented with overlapping stages.	Capitalised costs incurred ahead of earlier design stage sign-off. These capital costs may become revenue costs if development not implemented.	Monitor spend and reallocate costs as required.	Unlikely	Significant	4	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: Increasing	Q1 2020	Unlikely	Major

Risk Number: 38	Risk Owner: Project Executive
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Risk Title: Procurement of developer and/or construction project manager

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Delivery approach negotiation delays the subsequent procurement of a developer (by Council or 3rd party dependent of route chosen). Developer Financial Standing - Insolvency or bankruptcy of Contractor/Consultant/Developer	Delays to delivery programme. Financial investment cannot be recouped	Set a realistic programme. Allow sufficient time for decision making Allow sufficient time for any marketing/procurement requirements.	Likely	Moderate	3	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: Increasing	Q3 2019	Unlikely	Moderate

Risk Number: 39	Risk Owner: Project Executive
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Risk Title: Construction Delay

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Adverse weather	Construction delay	Mitigate - carry out robust financial checks as part of the procurement process	Unlikely	Major	4	£££-££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change	Q4 2020	Unlikely	Major

Risk Number: 40	Risk Owner: Project Executive
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Risk Title: Report on Title

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Small strip of land between the Carfax and Cattlemarket sites has a possessory title. This small area of land may be subject to third party rights created before HCC registered their title which have not been disclosed and in respect of which they are unaware	This small area of land may be subject to third party rights created before HCC registered their title which have not been disclosed and in respect of which they are unaware	Look into taking out insurance if this is deemed necessary	Unlikely	Moderate	3	£-££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change		Highly Unlikely	Low

Risk Number: 41	Risk Owner: Project Executive
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Risk Title: Change in Project Scope

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Change in Council Governance	Risks to Council's reputation. Impact on delivery of Council Strategy outcome Additional budget requirement	Keep all political parties well informed throughout the project to ensure each party has bought into and is in support of the project Continual engagement with members demonstrating the importance of the project to ensure they are all in support.	Likely	Major	1	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Engage in review process from new administration and identify where changes to scope/timetable would impact negatively on programme, costs and and benefits to be realised. <u>Trend:</u> Increasing	Q2 2019	Unlikely	Moderate

Risk Number: 44	Risk Owner: Project Executive
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Risk Title: Construction contingencies

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Unexpected findings during construction i.e. significant archaeological remains, contamination Security of site if Council act as developer	Delays to programme Additional Costs Insurance risk	Mitigate - Carry out site investigations prior to construction. Implement strategy for dealing with any unexpected findings. Ensure the necessary security procedures are followed and the site is left secure when unoccupied	Unlikely	Significant	4	££-£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
<u>Trend:</u> No change	Q3 2019	Highly Unlikely	Major

Risk Number: 46	Risk Owner: Project Executive
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Risk Title: Site disposal

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Design halted and site sold before planning permission secured Sell with Planning - loss of initial investment Value of site for offices less than originally valued for mixed use (incl resi) and price paid for site.	Reduced return on investment. Loss of initial investment.	Set out risk of options clearly in business case to inform Council's decision.	Unlikely	Major	2	£££-££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Revalue site <u>Trend:</u> No change	Q2 2019	Highly Unlikely	Major

Risk Number: 47	Risk Owner: Project Executive
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Risk Title: Legal advice on project including procurement

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Resource pinchpoint. Legal resource not available in-house to advise on the project at required time	Advice not forthcoming in timely manner. Project Team take on legal tasks at risk.	Seek to use external legal specialist advisors for project.	Highly Unlikely	Significant	1	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
<u>Trend:</u> Decreasing		Unlikely	Significant

Risk Number: 48	Risk Owner: Project Executive
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Risk Title: Legal Challenge

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Legal challenges are raised	Causes delay in the development and subsequently an additional cost to the project	Mitigate - ensure any legal challenges can be defended by obtaining expert advice to guide and inform processes.	Unlikely	Significant	2	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change		Unlikely	Major

Risk Number: 49	Risk Owner: Project Executive
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Risk Title: Contract

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
The contract could fall outside of Reg 12(7) if with HCC DES places private operators at an advantage over their competitors by sub-contracting.		This requirement, as advised by Counsel, will be managed through the contract with HCC DES and monitored to ensure no sub-contracting is undertaken. HCC DES has already confirmed this is not their intention.	Unlikely	Moderate	1	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change		Highly Unlikely	Moderate

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Risk Number: 51	Risk Owner: Project Executive
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Risk Title: Rights of Light

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Rights of Light survey identifies potential issues.	Delay and additional cost	Commission RoL survey prior to christmas 2018.	likely	Major	2	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
P 8 9 1 4 2 Follow up with day and sun light surveys Feb 2019 ahead of planning for submission. Issue identified - mitigate through design changes or negotiation. Risk remains for future design changes. <u>Trend:</u> No change	Q1 2019	Highly Unlikely	Low

Risk Number: 52	Risk Owner: Project Executive
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Risk Title: Construction cost may require fee adjustment.

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Design Team fees are set by the construction costs. Through the design process, fee estimates are made; these may need to be adjusted up or down when the final construction cost is set.	May need to pay additional fee to design team before construction.	Cost assessments are iterative throughout the design process and are monitored; there are strong drivers to keep costs down to ensure viability of the development. Alternative delivery options are being considered; identify this risk as part of the options considerations	Likely	Moderate	3	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Review contingency in valuation to cover design team fees increases. <u>Trend:</u> No change	Q3 2019	Likely	Moderate

Risk Number: 53	Risk Owner: Project Executive
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Risk Title: Archaeology spend

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
If project halted after archaeology work begun, will still be liable for spend to finish excavation analysis and publication	Fees will continue if project halted.	Accept: Add contingency into budget	unlikely	Major	3	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
risk acceptedTrend: No change	Q4 2019	Unlikely	Major

Risk Number: 54	Risk Owner: Project Executive
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Risk Title: Adverse weather delays excavation

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Adverse weather delays excavation	Delay to programme	Accept - allow contingency in project plan	unlikely	Major	4	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
risk acceptedTrend: No change	Q1 2020	Unlikely	Major

Risk Number: 55	Risk Owner: Project Executive
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Risk Title: Lack of contractors available for archaeological excavation

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Lack of contractors available for archaeological excavation due to limited market available	Cannot procure in time - delay to programme	Get agreement for procurement as early as possible in programme to start procurment earlier in programme and allow contingency in programme	Likely	Moderate	2	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
NoneTrend: No change	Q1 2020	Unlikely	Moderate

Risk Number: 58	Risk Owner: Project Executive
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Risk Title: Commercial vs regeneration

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
If Council accept lower viability than commercial rate, then will not be able to sell site on market if pre-let tenants go bankrupt for example.	Council cannot sell site and incur additional costs in development.	Work on design, cost and efficiencies to improve viability for a commercial profit.	Unlikely	Significant	4	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Include risk in business case development to inform Council's decisionTrend: No change	Q3 2019	Highly Unlikely	Significant

Risk Number: 61	Risk Owner: Project Executive
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Risk Title: Network Rail governance process

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Public realm design work delayed or agreement for works cannot be reached in a timely manner on land controlled by 3rd parties (Network Rail), results in not being able to meet required LEP spending programme.	Bid for Local Enterprise Partnership (LEP) funding is unsuccessful or cannot be spent by the deadline. Loss of potential £5M bid. Loss of opportunity to regenerate areas of public realm. Carfax scheme not enhanced by public realm works.	Mitigate -1. Close liaison with M3 Enterprise LEP, and land owners (Network Rail) throughout the project to agree priorities for spend and mechanisms and programme for delivery.	Likely	Major	3	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Continue close engagement with landowners for public realm works and identify any requirements for sign-off using their processes. Pay the required fee for NR to review documentation Trend: No change	Q3 2019	Unlikely	Major

Risk Number: 62	Risk Owner: Project Executive
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Risk Title: Governance sign-off periods

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Length of governance sign off processes require significant lead in time for decision making.	Delays project progress as work and assessments need to be completed before report circulation commences; this causes pressure to overlap project stages and remove time contingency in programme.	Accept - Ensure governance timescales built into programme and highlight requirements to all project team members and relevant members; include contingency within programme. Set out requirements in future procurement specifications so consultants are aware of potential 'stand down' periods to work around.	Likely	Moderate	1	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Non at this timeTrend: No change	Q2 2019	Likely	Moderate

Risk Number: 64	Risk Owner: Project Executive
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Risk Title: Splitting build and enabling package

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
If the Council decide to contract excavation work out seperately to the main construction work	Coordination issues between 2 contractors	Set out risk of option in business case development to inform decisions on delivery.	Unlikely	Major	4	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Subject to delivery decision process Clarify coordination requirements in specification for works. Use experience of design team and RIBA advisor to advise on coordination issues and how to address. <u>Trend: No change</u>	Q2 2019	Highly unlikely	Moderate

Risk Number: 66	Risk Owner: S161 Officer
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Risk Title: Borrowing rates available to local governments

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Government changes borrowing rates available to local government through the Public Works Loans Board.	The Council is unable to borrow at current favourable PWLB rates	Monitor government policy on PWLB lending rates; Investigate alternative funding options.	likely	Major	2	£££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
<u>Trend: No change</u>	Q2 2019	Unlikely	Major

Risk Number: 67	Risk Owner: Legal
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Risk Title: Procurement of legal advisors

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Legal advisors procured to draft contract for delivery, but delivery route selected by Cabinet differs from expertise of legal advisors	Additional advice required - financial/time implications	Liaison with Cabinet members on delivery options to be considered to understand better the potential delivery route selection.	unlikely	Moderate	1	££
Further actions		Target date	Residual Risk Score			
Trend: No change		Q2 2019	Likelihood	Impact		
			unlikely	Low		

Risk Number: 68	Risk Owner: Project Executive
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Risk Title: LEP spend dates not achieved

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Change in scope, agreements with third parties not forthcoming in timely manner, Planning decision delays or refusal.	Loss of potential £5M bid or less spend within LEP timeframes. Loss of opportunity to regenerate areas of public realm. Carfax scheme not enhanced by public realm works nor supported by LEP funding.	1. progress delivery decision for Carfax; flag risk with decision makers, prepare documentation for delivery early in process; get legal advisors on board as soon as budget agreed. Stakeholder influence by senior officers.	Likely	Major	2	££££
Further actions		Target date	Residual Risk Score			
Ensure good engagement with EM3 LEPTrend: Increasing		Q3 2019	Likelihood	Impact		
			Unlikely	Moderate		

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Risk Number: 69	Risk Owner: Project Executive
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Risk Title: LEP terms and conditions not met

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
LEP funding withdrawn by central government Delivery not achieved within timescales set Invoices not submitted in time contractor goes bust Agreements not achieved within timescales	Loss of funding for public realm Fees incurred ahead of LEP payments	Close liaison with LEP to understand the requirements Identification early in process of issues and discuss with LEP	Unlikely	Major	3	££££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change	Q3 2019	unlikely	Moderate

Risk Number: 70	Risk Owner: Project Executive
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Risk Title: Invoice payments delayed

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
LEP payments delayed to Council to pay off invoices	Financial penalties incurred	Identify suitable payment method with parties involved and agree terms for payment when contracts signed.	Unlikely	Moderate	3	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: no change	Q3 2019	highly unlikely	Moderate

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Risk Number: 71	Risk Owner: Project Executive
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Risk Title: Relationship with HCC as consultants

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
HCC DES do not have capacity for workload	Public Realm work becomes a low priority and deadlines missed; risk to LEP spend	Maintain regular and clear lines of communication and agreed programme with HCC DES	Unlikely	Moderate	2	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: No change	Q2 2019	highly unlikely	Moderate

Risk Number: 72	Risk Owner: Project Executive
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Risk Title: Regional Design Panel

Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
LPA request outline planning application is considered by the Regional Design Panel	Delay to project if process delays planning decision Comments received from review perceived negatively in public	Accept risk Provide required information to design review panel Request date where both key members of the design team can attend and present.	Likely	Moderate	2	££

Further actions	Target date	Residual Risk Score	
		Likelihood	Impact
Trend: Increasing	Q2 2019	unlikely	Moderate

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Risk Number: 73			Risk Owner: Project Executive			
Risk Title: Process for site disposal challenge						
Causes	Consequences	Mitigation	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Disposal of the site via land disposal rather than a procurement process is challenged	Delay to project Additional cost to address challenge Negative publicity	Appropriate legal advice obtained Ensure the disposal is on terms which follow legal advice	Likely	Major	2	££
Further actions		Target date	Residual Risk Score			
end: Increasing		Q2 2019	Likelihood	Impact		
			Unlikely	Major		

EXTRACT OF MINUTES

SCRUTINY COMMITTEE

4 JULY 2019

DRAFT ANNUAL SCRUTINY REPORT 2018/19

(Report SC004 refers)

The Committee noted that the Report represented a succinct summary of the main work it had carried out during the previous municipal year.

RECOMMENDED:

**THAT COUNCIL NOTE THE ANNUAL SCRUTINY REPORT
FOR 2018/19.**

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REPORT TITLE: DRAFT ANNUAL SCRUTINY REPORT 2018/19

4 JULY 2019

REPORT OF THE FORMER CHAIRMAN – COUNCILLOR LEARNEY

Contact Officer: Claire Buchanan Tel No: 01962 848348 Email
cbuchanan@winchester.gov.uk

WARD(S): ALL

PURPOSE

At the end of each Municipal Year, the Chair of The Overview and Scrutiny Committee for that year reviews the work of all overview and scrutiny bodies and provides a report back to Council.

The draft report for the 2018/19 Municipal Year is attached so that the Scrutiny Committee can add its comments before it is finalised for presentation to Council.

RECOMMENDATIONS:

That the Committee considers the draft Annual Scrutiny Report 2018/19 and suggests any additions or amendments for consideration by Council.

1 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property N/A</i>		
<i>Community Support N/A</i>		
<i>Timescales N/A</i>		
<i>Project capacity N/A</i>		
<i>Financial / VfM N/A</i>		
<i>Legal N/A</i>		
<i>Innovation N/A</i>		
<i>Reputation N/A</i>		
<i>Other N/A</i>		

2 SUPPORTING INFORMATION:

2.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

OS201 – Draft Annual Scrutiny Report – 21 May 2018

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Draft Winchester City Council Annual Scrutiny Report 2018/19



Annual Scrutiny Report

2018/19



Introduction

The Overview and Scrutiny Committee keeps an overview of how Cabinet has delivered the priorities and aims of the City Council. It can scrutinise any decision made by the Cabinet or by Council Officers to ensure that it was delivered within the City Council's budget and policy framework. The Committee was also able to 'call-in' a decision that Cabinet had made, or had yet to make, that was outside the agreed budget for that year and that was likely to cost over £100,000. The Committee takes a lead role in developing the Capital Programme, General Fund Budget and Council Strategy.

In 2018/19, the Committee progressed with a pre scrutiny way of working – with feedback to Cabinet before decision, giving the chance for revisions to be made. Having moved from a post scrutiny way of working, pre scrutiny provided increased opportunities for both back bench members and members of the public to influence significant decisions and policies. Major Council projects looked at in this way have included Station Approach and the Winchester Sport and Leisure Park Project and strategies have included the Housing Strategy and the overarching Council Strategy.

The Committee welcomes and encourages engagement with residents and other community representatives during its public participation session. During 2018/19, local residents commented on numerous matters including the Winchester Sport and Leisure Park Project, Station Approach and the Winchester Movement Strategy.

Following a comprehensive review of the Council's constitution, a new scrutiny regime has been adopted by the Council which enhances the scrutiny function and member involvement in processes. The Scrutiny Committee, as it is now named, will predominantly feature retrospective matters for scrutiny, whilst the two supporting newly established Policy Committees, The Business and Housing Policy Committee and the Health and Environment Policy Committee, will predominately focus on a forward looking approach for policy development.

With the continuing pressure on the Council's resources, it is vital that Scrutiny and its newly established Policy Committees continue to play their part in ensuring that projects are delivered efficiently and with maximum benefit to residents while ensuring that the Council's key services to the public such as refuse, parking, open spaces and the myriad of other Council roles which help make our District a great place to live, continue to be delivered at a high standard.

Cllr Kelsie Learney – The Overview and Scrutiny Committee Chairman for 2018/19

THE ROLE OF SCRUTINY IN THE COUNCIL

Winchester City Council operates a 'strengthened' Leader and Cabinet Executive model. Members of the Cabinet manage the majority of the Council's business, while scrutiny bodies oversee the discharge of the Council's work.

The role of scrutiny is to review, challenge and develop what the City Council does, making sure the right decisions are being taken to Cabinet, in line with the general policies set by full Council, for the benefit of the Winchester District and its residents and businesses.

The Police and Justice Act 2006 and the Crime and Disorder (Overview and Scrutiny) Regulations 2009 required the Council to designate a scrutiny body as its 'Crime and Disorder Overview and Scrutiny Committee'. It could also consider individual matters related to crime and disorder issues referred from the local level. This role is undertaken by The Scrutiny Committee.

Petition organisers also have the right to request that The Scrutiny Committee review the steps that the Council has taken in response to a petition.

THE OVERVIEW AND SCRUTINY COMMITTEE – 2018/19

Chairman: Cllr Kelsie Learney

Holding Portfolio Holders to account

Portfolio Holders were questioned as and when necessary on individual items. These included:

- Leisure Centre Construction Costs (Presentation)
- Central Winchester Regeneration – Adoption of Supplementary Planning Document (OS197 refers)
- Housing Revenue Account Outturn 2017/18 (OS203 refers)
- Q4 Financial and Performance Monitoring (OS204 refers)
- Treasury Management Outturn 2017/18 (OS205 refers)
- Medium Term Financial Challenge (OS206 refers)
- Community Infrastructure Levy Operational Review (OS208 refers)
- Q1 Financial and Performance Monitoring (OS207 refers)
- Environmental Services Contract Decision Making (Exempt Report) (CAB3044 refers)
- Community and Voluntary Sector Grants Review (OS210 refers)
- Annual Report: Local Government and Social Care Ombudsman 2017/18 (OS209 refers)
- Housing Revenue Account Budget Options 2019/20 ((OS214 refers)
- Q2 Financial and Performance Monitoring (OS212 refers)
- Council Strategy Update (OS213 refers)
- Medium Term Financial Plan (OS211 refers)
- Station Approach Update (Presentation)
- Environmental Services Kerbside Glass Collection and Contract Strategy (Less exempt appendices) (CAB3108 refers)

DRAFT Winchester City Council Annual Scrutiny Report 2018/19

- Medium Term Financial Strategy (OS217 refers)
- General Fund Budget (OS218 refers)
- Housing Revenue Account 2019/20 and Business Plan 2019/2049 (OS219 refers)
- Q3 Financial and Performance Monitoring (OS216 refers)
- Asset Management Plan 2016/2021 (OS223 refers)
- Annual Emergency Planning Report (OS222 refers)
- Community Safety Partnership Performance Review (OS215 refers)
- Station Approach Outline Business Case and Associated Matters (Less exempt appendices) (OS225 refers)
- City of Winchester Movement Strategy (CAB3140 refers)
- Establishing the Winchester Housing Company (Less exempt appendices (OS226 refers)

Presentations to the Committee

To assist with its detailed scrutiny of specific matters and to help facilitate discussion, during the previous year there were several presentations to the Committee. These included on the Council's new Sports and Leisure Park, Station Approach, Emergency Planning and the Winchester Movement Strategy. The Committee also considered the work of the Council's Community Safety Partnership further to the requirements of the Police and Justice Act 2006 and the Crime and Disorder (Overview and Scrutiny) Regulations 2009

REPORT TITLE: CHANGES TO THE CONSTITUTION

25 SEPTEMBER 2019

REPORT OF THE MONITORING OFFICER

Lisa Kirkman Tel No: 01962 848177

Email lkirkman@winchester.gov.uk

WARD(S): ALL

PURPOSE

The Council adopted the updated Constitution at an Extraordinary Council meeting on 19 March 2019 (Report CL144 refers) that became effective from the Annual Meeting on 15 May 2019. Further changes were agreed at Council on 26 June 2019 to allow for public speaking as part of the democratic process at Full Council and a number of other minor amendments (Report CL145 refers).

The new administration would like to introduce Cabinet Member Decision Days, whereby delegated decisions to be made by Cabinet would be made in public with the opportunity for public comment. The Council's constitution is required to be amended to enable this new process and Appendix A to the report sets out the proposed changes for Member agreement.

RECOMMENDATIONS:

1. That to facilitate the introduction of Cabinet Member Decisions Days, Council agree to the changes to the Constitution, as set out at Appendix A to the report.

1. SUPPORTING INFORMATION:

- 1.1 At the first meeting of the new Cabinet on 16 May 2019, the Leader announced the new Administration's intention to introduce Decision Days, where Cabinet Members take decisions delegated to them in public, with an opportunity for public and non-executive Member contributions.
- 1.2 This requires amendments to various sections of the Constitution, as set out in Appendix A to the report.

2. Cabinet Member Decision Days

3. General

- 3.1 Decision Days will be scheduled on a monthly basis, usually on the first Monday morning of the month (but having regard to the aim to meet mid-way between scheduled Cabinet meetings). The purpose of holding Decision Days is to improve transparency of decision-making when delegated powers are exercised. For the avoidance of all doubt, Decision Days do not constitute any committee, sub-committee or forum.
- 3.2 The dates of proposed Decisions Days will be published in advance on the Council's Committee webpages.
- 3.3 With the agreement of the Leader, scheduled Decision Days can be cancelled if there is a lack of appropriate business. In addition, ad hoc Decision Days may be arranged to deal with urgent matters, if required.
- 3.4 Decision days will be held in public, except where dealing with confidential or exempt matters.

4. Publicity

- 4.1 The agenda for the decision day and the accompanying report(s) will be published five working days in advance to give both Members and the public opportunity to consider the contents prior to the decision being made.
- 4.2 The agenda and any accompanying report(s) will be published on the Council's Committee webpages.
- 4.3 Where Cabinet Members are taking key decisions (as defined in the Council's Constitution Article 13), these will be included in the Forward Plan which is required to be published at least 28 days prior to the decision being made. In addition, wherever possible, the Forward Plan will be used to give advance notice of all Cabinet Member decisions to be taken in the relevant period, whether classed as key decisions or not.

5. Speaking at Decision Days

- 5.1 Members of the public and visiting councillors can speak at decision days on a specific item due for decision. Contributions are not permitted on general

matters relating to Cabinet or Cabinet Members (this is, however, permissible at Cabinet meetings).

- 5.2 Both members of the public and visiting councillors will be required to register three working days in advance if they wish to speak at the Decision Day (NB Working days excludes weekends and public holidays).
- 5.3 Members of the public will each be limited a maximum of three minutes, subject to an overall period of 15 minutes per Cabinet Member Decision Day.
- 5.4 Visiting Councillors will be limited to a maximum of five minutes.
- 5.5 Cabinet Member may advise how any contributions will be dealt with by noting, action or referral.
- 5.6 No public speaking will be permitted on the same or similar topic within a period of six months.

6. Decision Days – Order of Business

- 6.1 Each decision day could include decisions by any of the Cabinet Members, depending on required business.
- 6.2 Agendas will be ordered and prepared to group individual Cabinet Members decisions together. As speakers will not be required to register to address a decision day until after the agenda is published, it will not be possible to give exact timings for individual decisions.
- 6.3 In addition to a Democratic Services Officer, the Officer(s) relevant to the proposed decision will attend the decision day to provide any further information or advice required prior to the decision being made.
- 6.4 At the conclusion of each item, the Cabinet Member will confirm the decision that he or she is taking.

7. Action following the Decision Day

- 7.1 No minutes will be produced of the decision day but a record of the decision will be published within five working days of the decision being made and all Members will be advised via email. With the exception of exempt decisions, decisions will be published on the Council's website.
- 7.2 Where a Cabinet Member is taking a key decision (as defined in the Council's Constitution Article 13), the decision will be subject to a five day call-in period before it can be implemented.
- 7.3 The decision record will include a record of the decision made (including date); record of reasons; details of any alternative options considered and rejected in making the decision; and a record of any conflict of interest (and if so, and relevant, any dispensation granted).

8. OTHER OPTIONS CONSIDERED AND REJECTED

- 8.1 Not making any changes to the Constitution. This option was rejected as the amends are to give effect to changes requested by the new Administration in addition to enhancing the efficient and effective running of the Council.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CL144 – Constitution Review – 19 March 2019

CL145 – Changes to the Constitution – 26 June 2019

Other Background Documents:-

None

APPENDICES:

Appendix A – Decision Days - Changes proposed to Constitution

APPENDIX A – CHANGES REQUIRED TO ENABLE DECISION DAYS

Part 3.2 - The Cabinet and its Committees (extract)

2.4 General Powers Granted to Cabinet Members

The following responsibilities have been delegated to each individual Cabinet Member to exercise within their portfolio and service area:

- a) To exercise the Executive powers and duties of the Council for strategic development, policy direction, partnership working, executive powers including key decisions, programme and performance management, in accordance with the Council's procedure rules for their portfolio areas.
- b) To be responsible for ensuring the successful delivery of business transformation in relation to their portfolio areas;
- c) To request the Scrutiny Committees review changes to policy and strategy within their areas of responsibility;
- d) To have oversight of budget planning and monitoring in their service area;
- e) To act as the Council's lead spokesperson on strategic bodies for their areas of responsibility.
- f) To determine priorities in conjunction with the relevant member of the Council's management team and other Cabinet Members (within the policy framework and budget);
- g) To make proposals for policy initiatives, within the policy framework and budget, and for the amendment of such framework subject to the agreement of the Cabinet and Council;
- h) To recommend to the Cabinet responses to reports from the Scrutiny and Audit and Governance Committees;
- i) To agree minor matters and non-material amendments to policy;
- j) To approve grant funding allocations to third parties within approved budgets to this purpose
- k) To approve all in-year changes to fees and charges
- l) The Cabinet Member for Built Environment and Wellbeing has delegated authority to approve all community safety partnership strategies under the Crime and Disorder Act or other related legislation.

Decisions delegated to Cabinet Members may be taken at Cabinet Member Decision Days, as set out in the Cabinet Procedure Rules (Part 4.2 of the Council's Constitution) and in accordance with the Access to Information Procedure Rules (Part 4.4 of the Council's Constitution).

Part 4.2 - Cabinet Procedure Rules (extract)

Executive Functions

The Cabinet is the Council's Executive body and is responsible for carrying out those functions which by law or under this constitution are designated as Executive functions.

The Leader decides how the Executive functions shall be discharged. This may be by:

- a) The Cabinet as a whole;
- b) A Committee of the Cabinet;
- c) An individual Member of the Cabinet
- d) **At a Cabinet Member Decision Day**
- e) An officer;
- f) An area Committee;
- g) Joint arrangements; or
- h) Another local authority.

Meetings of the Cabinet and its Committees **and Cabinet Member Decision Days**

Meetings of the Cabinet and its Committees **and Cabinet Member Decision Days** will be determined by the Leader in consultation with the Chief Executive. Executive decisions made by the Cabinet as a whole will be taken at a meeting convened in accordance with the Access to Information Procedure Rules set out in Part 4 of this Constitution. These rules also apply to executive decisions which have been delegated.

Cabinet Member Decision Days

Advance notice of Cabinet Member Decision Days will be published in accordance with all statutory requirements, namely five days in advance together with any accompanying reports thereby enabling opportunity for Members and the public to consider matters prior to the decision to be made. Decision Day agendas will be published on the Council's website

Cabinet Decision Days will be held in public, except where dealing with confidential or exempt matters.

Public speaking will be permitted at Cabinet Member Decision Days provided it relates to an item on the agenda for decision and at least three clear working days prior notice has been given. Contributions are not permitted on general matters relating to Cabinet or Cabinet Members (which is permissible only at Cabinet meetings). Members of the public will each be limited to a maximum of three minutes, subject to an individual maximum of fifteen minutes

Visiting Councillors will be allowed to speak at a Cabinet Member Decision Day, provided at least three clear working days prior notice has been given. Visiting Councillors will be given a maximum of five minutes, which includes their original question/comment and any additional supplemental points.

No public speaking will be permitted on the same or similar topic within a period of six months.

No discussion shall take place with the person(s) addressing the Cabinet Member Decision Day. The Cabinet Member may advise how, if at all, the public comments will be dealt with by noting, action or referral.

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Part 4.4 - Access to Information Procedure Rules

1. Scope

- 1.1 These Paragraphs apply to all meetings of the Council, Scrutiny Committees, regulatory Committees, joint Committees, Sub-Committees, panels and public meetings of the Cabinet (together called meetings). **Some aspects also apply to Cabinet Member Decision Days, as indicated.**

2. Additional rights to information

- 2.1 These paragraphs do not affect any more specific rights to information contained elsewhere in this Constitution or the law.

3. Rights to attend meetings **and Cabinet Member Decision Days**

- 3.1 Members of the public may attend all meetings **and Decision Days** subject to the exceptions in these paragraphs **and any contrary provision in the Constitution.**
- 3.2 Any person is permitted to film or record any meeting of Council, a Committee, Sub-Committee or the Cabinet **or Cabinet Member Decision Day**, save where the public have been excluded for the consideration of exempt or confidential business. The paragraphs, as prescribed by legislation, will allow for the reporting of meetings via social media of any kind. The Council will provide reasonable facilities to facilitate reporting.
- 3.3 Any person exercising such rights must not disrupt the proceedings. Examples of what will be regarded as disruptive include, but are not limited to, moving outside the area designated for the public, making excessive noise, intrusive lighting/flash or asking a Member to repeat a statement. In addition, members of the public or the public gallery should not be filmed as this could infringe on an individual's right to privacy, if their prior permission had not been obtained. Any person considered being disruptive or filming the public will be requested to cease doing so by the Chairperson and may be asked to leave the meeting.

4. Notices of meeting **and Cabinet Member Decision Day**

- 4.1 The Council will give at least five clear days' notice of any meeting **or Cabinet Member Decision Day**, except where an urgent meeting is convened by posting details of the meeting.

5. Access to agenda and reports before the meeting **and Cabinet Member Decision Day**

- 5.1 The Council will make copies of the agenda and reports open to the public available for inspection on the Council's website and at the designated office at least five clear days before the meeting **or Cabinet Member Decision Day**. If an item is added to the agenda after publication, this will be included on a supplementary agenda (where reports are prepared after the summons has been sent out. The Monitoring Officer shall make each such report available to the public as soon as the report is completed and sent to Councillors) which will be open to inspection from the time the item was added to the agenda.

6. Background papers

8.1 List of background papers

The author of the report will set out in every report a list of those documents (called background papers) relating to the subject matter of the report which in the report author's opinion:

- a) Disclose any facts or matters on which the report or an important part of the report is based; and
- b) Which have been relied on to a material extent in preparing the report;

But do not include published works or those which disclose exempt or confidential information (as defined in Paragraph 9)

8.2 Public inspection of background papers

The Council will make available for public inspection for six years after the date of the meeting, one copy of each of the documents on the list of background papers.

- 8.3 Public reports must include not only a list of background papers but at least one copy of each of the documents in the list for public inspection. Arrangements for inspection should be made through Democratic Services Team at the designated office and on the Council's website.

In the case of reports to the Executive **or Cabinet Member Decision Day**, the background papers will be published on the Council's website, subject to Paragraph 9 below. The Council may make a reasonable charge for access to background papers to be inspected at the Council's offices.

9. Exclusion of access by the public to meetings **and Cabinet Member Decision Days**

9.1 Confidential information – requirement to exclude the public

The public must be excluded from meetings **or Cabinet Member Decision Days** whenever it is likely in view of the nature of the business

to be transacted or the nature of the proceedings that confidential information would be disclosed.

A decision to exclude the Public is to be made by resolution of the meeting (or, in the case of a Decision Day, the Cabinet Member).

9.2 Meaning of confidential information

Confidential information means information given to the Council by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order or other information provided by a third party who is owed a statutory or common law duty of confidentiality.

9.3 Exempt information – discretion to exclude the public

The public may be excluded from meetings or Cabinet Member Decision Days whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed which falls into one of the seven definitions of information that is exempt from disclosure to the public and press which is at paragraph 9.4 below.

9.4 Meaning of exempt information

Exempt information means any information falling within the following seven categories (subject to any condition) as defined in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended):

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Information is not exempt information if it is required to be registered under:

- a) The Companies Act 2006;
- b) The Friendly Societies Act 1974;
- c) The Friendly Societies Act 1992;
- d) The Industrial and Provident Societies Acts 1965 to 1978;
- e) The Building Societies Act 1986; or
- f) The Charities Act 1993.

“Financial and business affairs” includes contemplated, as well as past or current activities.

4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority Employee means a person employed under a contract of service. “Labour relations matters” means any matters

specified in section 218(1) (a) to (g) of the Trade Union and Labour Relations (Consolidation) Act 1992.

These matters also apply to office holders as to employees.

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the authority proposes:
 - a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
 - b) To make an order or direction under any enactment.
7. Information relating to any action or any action proposed to be taken in connection with the prevention, investigation or prosecution of crime.

Notes:

- a) Information falling within any of categories 1-7 is not exempt by virtue of that category if it relates to proposed development for which the local planning authority can grant itself planning permission under Regulation 3 of the Town and Country Planning General Regulations 1992;
- b) Information which:
 - i) Falls within any of categories 1 to 7 above; and
 - ii) Is not prevented from being exempt by virtue of the condition is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information;
 - iii) Where the meeting will determine any person's civil rights or obligations, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public unless a private hearing is necessary for one of the reasons specified in that Article.

15. Procedures prior to public meetings and Cabinet Member Decision Days

- 15.1 The Council will give notice of the time and place of a public meeting by displaying it at the Council's offices and publishing it on the Council's website,
 - a) At least five clear days before the meeting; or

- b) Where the meeting is convened at short notice, at the time that the meeting is convened.
- 15.2 An item of business may only be considered at a public meeting:
- a) Where a copy of the agenda or part of the agenda including the item has been available for inspection by the public for at least five clear days before the meeting; or
 - b) Where the meeting is convened at shorter notice, a copy of the agenda including the item has been available for inspection by the public from the time that the meeting was convened;
 - c) Where an item which would be available for inspection by the public is added to the agenda, copies of the supplementary agenda and any report relating to the item for consideration at the meeting, must be available for inspection by the public when the item is added to the agenda.
- 16. Access to agenda and connected report for public meetings and Cabinet Member Decision Days**
- 16.1 A copy of the agenda and every report for a meeting will be made available for inspection by the public at the Council's offices and on the Council's website.
- 16.2 If the Monitoring Officer thinks fit, there may be excluded from the copy of any report the whole, or any part which relates only to matters during which, in the opinion of the Monitoring Officer the meeting is likely to be a private meeting.
- 16.3 A copy of the agenda item or report will not be available for inspection by the public until a copy is available to Members of the Council. Where the whole or of the part of a report for a public meeting is not available for inspection by the public:
- a) Every copy of the whole report or of the part of the report, as the case may be, must be marked "not for publication" and
 - b) There must be stated on every copy of the whole or part of the report
 - i) That it contains confidential information; or
 - ii) The description of exempt information by virtue of which the Cabinet is likely to exclude the public during the item to which the report relates.
- 16.4 Except during any part of a meeting during which the public are excluded, the Council will make available for the use of members of the public present at the meeting a reasonable number of copies of the agenda and of the reports for the meeting.

- 16.5 Unless they contain confidential or exempt information, following a request made by a member of the public or on behalf of a newspaper and on payment being made of postage, copying or other necessary charge for transmission, the Council will supply to that person or newspaper:
- a) A copy of the agenda for a public meeting and a copy of each of the reports for consideration at the meeting;
 - b) Such further statements or particulars, as are necessary to indicate the nature of the items contained in the agenda; and
 - c) If the Monitoring Officer thinks fit in the case of any item, a copy of any other document supplied to Members of the Cabinet in connection with the item.

22. Inspection of documents following Executive decisions

- 22.1 Unless they contain confidential or exempt information, after a meeting of the Cabinet or its Committees **or Cabinet Member Decision Days** at which an Executive decision has been made, or after a Cabinet Member or an officer has made an Executive decision the Monitoring Officer must ensure that a copy of:
- a) Any record of the decision; and
 - b) Any report considered at the meeting **or Cabinet Member Decision Day** or, considered by the Cabinet Member or officer and relevant to a decision record or, where only part of the report is relevant to such a decision, that part must be available for inspection by members of the public as soon as is reasonably practicable, at the Council's offices, and on the Council's website.

REPORT TITLE: APPOINTMENT OF SECTION 151 OFFICER

25 SEPTEMBER 2019

REPORT OF CHIEF EXECUTIVE, LAURA TAYLOR

Contact: Laura Taylor Tel No: 01962848313 Email LTaylor@winchester.gov.uk

WARD(S): ALL

PURPOSE

Due to the resignation of the existing post holder, it is necessary to appoint a Section 151 Officer for the Council. The Section 151 Officer is one of three statutory posts that the council must have in place, the others being the Head of Paid Service and the Monitoring Officer.

RECOMMENDATIONS:

1. That Richard Botham be appointed Section 151 Officer for the council with immediate effect.

1. SUPPORTING INFORMATION:

- 1.1 Joseph Holmes, Strategic Director: Resources has left the council and as a qualified member of CIPFA he was also appointed as the councils Section 151 Officer, also known as the Chief Financial Officer.
- 1.2 The Section 151 Officer is a statutory appointment and has specific responsibility to ensure good financial management and governance within the authority. The Councils constitution sets out that the section 151 officer has authority to;
 - Undertake administration for the Council's financial affairs for the purposes of s151 of the Local Government Act 1972 and who is obliged to report under s114 Local Government Finance Act 1988 on

unlawful expenditure, unlawful action likely to cause loss of deficiency or an unlawful entry into the councils accounts.

- Manage the collection fund.
- Administer the council's treasury management function, write off debts in line with the council's financial procedures.
- Maintain an adequate and effective system of internal audit.
- Maintain and develop the council's risk management policy (Winchester City Council Constitution part 3.4).

1.3 Lisa Kirkman, previously Corporate Head of Resources, has been appointed Strategic Director: Resources and has a legal background. Mrs Kirkman is the council's Monitoring Officer and she will retain this responsibility. In order to retain a breadth of skills in the council's senior team, a requirement for financial skills and CIPFA membership will be an essential requirement for the ensuing vacancy for the Corporate Head of Resources. It is anticipated that this post holder will take on the role of Section 151 Officer in due course.

1.4 In the meantime, it is necessary to appoint a Section 151 Officer for the council and this report proposes that Richard Botham takes on this role with immediate effect. Richard is currently on secondment to our Executive Leadership Board and in his substantive post, has day to day responsibility for the Housing Revenue Account. Mr Botham is CIPFA qualified and has an appropriate breadth of financial experience to undertake this role.

2. OTHER OPTIONS CONSIDERED AND REJECTED

2.1 The Section 151 Officer is a statutory post and an appointment must be made. Consideration could be given to an external interim appointment but this was discounted.

BACKGROUND DOCUMENTS:- none

Previous Committee Reports:- none

Other Background Documents:- none

APPENDICES: none

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

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