

REPORT TITLE: STATION APPROACH –ECONOMIC APPRAISAL AND  
BUSINESS CASE PREPARATION

18 DECEMBER 2018

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PURPOSE

This report sets out the economic considerations of the Station Approach project at concept design stage which will feed into the preparation of the Outline Business Case in accordance with the HM Treasury Green Book Guidance. It sets out the positive economic and regenerative benefits that the development of the Carfax site can bring to the area demonstrating how this would be a key catalyst for the regeneration of the wider area, and help to deliver a key part of Council Strategy. Work continues on the Outline Business Case to be presented at a future Cabinet (SA) Committee meeting.

RECOMMENDATIONS:

That Cabinet (Station Approach) Committee:

1. Notes the economic assessment that positions Winchester as a viable location for office development and the significant positive impact an office development on this site would have on the city economy.
2. Notes continuation of work for the finalisation of the RIBA Stage 2 concept design work undertaken to date.
3. Notes the continuing work on the preparation of the Outline Business Case to be presented at a future Station Approach Cabinet and work on the preparation of a planning application, with submission to be agreed at a future Station Approach Cabinet.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 The Station Approach regeneration scheme will provide a significant number of high value, private sector employment opportunities which will help to deliver the Council Strategy (2018-20) vision for Winchester to be a premier business location.
- 1.2 The delivery of the project will be through partnership working to deliver employment and other regeneration opportunities in line with the approach set out in the Council Strategy.

### 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 of the public realm strategy, the Council's Cabinet (Station Approach) Committee approved a revenue budget of £225,000 to take forward the design work for the public realm to support the Carfax design development. A business case has been submitted to the LEP in November 2018 for an anticipated decision in March 2019. If accepted by the LEP, this will secure a £5 million LEP grant for public realm Gateway improvements and in support of the Carfax development. The LEP have stated that award of funds will be dependent on grant of planning permission for the Carfax development and assurance on how the Carfax scheme will be delivered.
- 2.3 A capital budget of £1.8m was agreed in February 2018 to take the 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.
- 2.4 The current expenditure for the project is set out in the table below. No further financial requests are made within this report as there is currently approved budget to allow the completion of the concept design stage.

**Table 1 Budget and Expenditure Summary**

	<b>Carfax</b> (current project)	<b>Public Realm</b>
<b>Approved budget</b>	Revenue: £1,500,000 Capital: £1,800,000	Revenue: £225,000
<b>Expenditure</b>	Revenue: £987,555	Revenue: £29,609
<b>Committed or Planned</b>	Revenue: £250,500 Capital: £330,481	Revenue: £30,735
<b>Available budget</b>	Revenue: £261,945 Capital (£1,469,519)	Revenue: £164,656

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no significant additional procurement requirements to complete the concept design (RIBA Stage 2). To support the work on the development of the Outline Business Case to be presented at a future Cabinet (SA) Committee meeting the project team has brought in independent external assurance advice as part of a review of the proposed scheme in relation to the Brief.
- 3.2 A number of significant procurements will be required if the Council decide to proceed to RIBA Stage 3 at a future Cabinet (SA) Committee meeting which will be accompanied by an appropriate budget request if required.

### 4 WORKFORCE IMPLICATIONS

- 4.1 There are currently no additional workforce implications for completing the concept design stage. However as set out in the previous section; resources within the Council will not cover significant areas of work needed to take the project forward through the more technical stages of development procurement, construction and the specialism of archaeology. Day to day project management will be retained by the Council's project team.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Council remains actively in discussion with a number of organisations interested in taking a lease for office and supporting retail accommodation, and continues to receive enquiries about the availability of office space in the city which currently cannot be fulfilled.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Public engagement was undertaken in March 2018 on the masterplan framework and public realm strategy. The result of this engagement has been published ([Station Approach Spring 2018 Engagement Report](#)) and has been considered in the design work along with input from stakeholders which has continued throughout the design process.

- 6.2 Key points and concerns that were raised included: the level of car parking provision (too much and too little); concerns over traffic and congestion caused by the development; particularly car parking and how the project relates to the Hampshire County Council led Winchester Movement Strategy; the need to ensure there is sufficient space for pick up and drop off at the station, and facilities for taxi stands and townscape/street frontage design.
- 6.3 The design team and the Council have considered the comments raised, and have made responsive amendments in consultation with the County Council to the design to reduce the car parking provision which will help address concerns over traffic movements and congestion and takes into account the sustainability of the location and the Council's environmental agenda.
- 6.4 Ongoing stakeholder engagement with the County raised concerns over the safety issues around the original proposed access off Sussex Street, the implications for the underpass and traffic traveling through the Carfax junction and on Station Hill alongside existing and future pedestrian activity also on Station Hill. As a result of this engagement, the car park access has been amended in line with HCC advice to access and exit the car park for the proposed development off Gladstone Street using the location of the current public and HCC parking entrance. This approach has been discussed with local residents through the offer of a meeting and subsequent discussions with other local residents and stakeholder groups.
- 6.5 Public engagement will be undertaken at an appropriate stage in advance of any submission for planning approval, alongside the Cabinet Gateway approvals, and progression of the scheme.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The project brief identifies that the project should 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', however within this policy it is recognised that there may be particular circumstances of a development's location where it may not be practical or viable to incorporate all the measures required by Policy CP11 and the policy expects developments to achieve the lowest level of carbon emissions and water consumption which is 'practical and viable'.
- 7.3 The design will also consider the 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 A key part of the design progression is addressing parking in the wider context of the key objectives of the Movement Strategy and key issues such as reducing traffic congestion and improving air quality. The Consultation

document, autumn 2018, for the emerging Movement Strategy notes that 'Current proposals for Station Approach are supportive of the emerging Movement Strategy'.

## 8 EQUALITY IMPACT ASSESSMENT

- 8.1 None required at this time. The public realm design work will need to consider accessibility and disability groups attended a stakeholder event in November to discuss the progression of the public realm design in relation to accessibility needs.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

## 10 RISK MANAGEMENT

- 10.1 This project has a separate, full risk register which is managed by the Head of Programme.
- 10.2 In relation to this report, the key risks are listed below and detailed in the risk register in Appendix 1. The unknown decision around a Brexit deal increases the potential risks in relation to the financial markets and commercial markets along with potential impacts on cost of materials or labour affecting construction cost. The main risks are set out in Key Risk 1 below, but the proximity to this risk has been increased.

**Key Risk 1:** Change in commercial market and/or financial markets affect finance, costs, 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 keep the scheme in a position of strong viability
- Impact on the local economy
- Impact on the Council's Medium Term Financial Strategy.

**Key Risk 2:** Designs are rejected and gateways not approved. This may cause:

- Delay in project programme
- Changes to the programme and scope of the project incur additional fees under the contract.
- Design Team's fees become unrecoverable
- Impact on the interested businesses
- Impact on the Medium Term Financial Strategy.

**Key Risk 3:** Delays to procurement of delivery partner/agreement to delivery route. This may cause:

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

**Key Risk 4:** Pressure on delivery timescale to ensure securing tenants for site and retain public support. This may cause:

- Pressure put on project programme removes contingency from design, business case and delivery stages
- Programme may require elements of overlapping RIBA stages.
- Work is commissioned at an agreed level of financial risk

**Key Risk 5:** Design Team fees are set by the construction costs and a change in costs may require a fee adjustment. This may cause:

- Requirement to pay additional fee to design team before construction.

**Key Risk 6:** Network Rail governance and HCC approval 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 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.

## 11 SUPPORTING INFORMATION:

- 11.1 This report provides an update on the work towards an Outline Business Case (in accordance with the HM Treasury Green Book Guidance) linked to the RIBA Stage 2 design and the economic considerations supporting the Station Approach project at concept design stage. Cabinet (SA) Committee are asked to agree the ongoing development of the Outline Business case taking into account the information provided in this report.

### Carfax Design

- 11.2 Following the approval of the Masterplan Framework in March 2018, the design work has been progressed through RIBA Stage 2 concept design. This has been costed and valued through an iterative process which has challenged: the objectives of the brief; the efficiencies and costs of the design and its consequential approach to construction; and the requirements of other regulators such as the County Council to set the entrance/exit to the car park from Gladstone Street.
- 11.3 The design exercise is an iterative process which is continually reviewed to include efficiencies and cost savings while maintaining a suitable level of quality to meet the brief and aspirations for this site. Value engineering continues throughout the project. Early consideration of efficiency of the cores and options for, and impacts on approaches to construction has been undertaken, as well as requirements arising from other aspects:
- a) Review of car parking provision (raised in previous reports). The parking for the project has been reviewed and different provision is being considered within a range equating to 1:1250 sq. ft. of office space, below the HCC 2002 Parking Standards policy target of 1:1000 sq. ft.. It is not uncommon for low levels of onsite parking to be provided especially given proximity of the station and location of nearby public parking to encourage more sustainable transport options. The lower than policy level of parking aligns with the principles from the Movement Strategy of seeking to reduce vehicular movements in the Winchester City area. However, the level of on-site parking does affect the rent payable and this is under constant review to achieve the most appropriate balance.
  - b) Access in and out of Gladstone Street with two-way access ramp to a single level basement. This follows detailed discussions with the County Council as Highway Authority resulting in advice that the current car parking entrance/exit at Gladstone Street should be retained for a scheme on the Carfax site. Cycle storage provision is included in this design. It should be noted that the current level of car parking across the development site, comprising both the public (Gladstone Street) car park and parking areas leased to HCC and the police amounts to 223 spaces and therefore the provision of fewer spaces as part of the scheme (ranges are currently being tested, likely to be up to a maximum of 124 spaces) will lead to significantly fewer traffic movements, potentially up to almost half the level of movements (public parking has a certain 'churn' throughout the day, employee parking is significantly less likely to).
  - c) Extensions to the retail/café pavilions and area supporting the Old Registry Office. These are important elements which help create an active site and meet Brief requirements, support a new office

community and bring wider public benefit, commensurate with the gateway objective for the site.

- d) Optimisation of office floor areas including an efficient core: ensuring a floorplate, core area, and layout for high quality offices that is efficient, meets standards and that can be let within the market.

11.4 The RIBA stage 2 design work with follow on costing and valuation is now within the following parameters:

- a) Provision of around 140,000 sq. ft. of Grade A high quality office space, set within an enhanced public realm next to the station.
- b) Alongside the provision of offices, a supporting mix of bar/restaurant, and small retail uses with the aim of making the area a destination of choice for the business community, visitors and residents alike.
- c) Provision of up to 124 car parking spaces in a single level basement below the development.
- d) Access to and from the site will be off Gladstone Street; this decision was made following detailed discussions with the County, as highway authority, on all available options.

#### Business Case Process

11.5 The Council follows the HM Treasury Green Book guidance on how to appraise and evaluate policies, projects and programmes. This uses the five case business case model as set out below:

- The Strategic Case – case for change
- Economic Case – ensuring value for money
- Commercial Case – case for commercial viability
- Financial Case - spend is affordable
- Management Case – requirements are achievable

11.6 The Business Case is developed incrementally. In March 2017 a Business Justification Case set the case for procuring a design team and commencing the Station Approach Project and was approved 20 March 2017 by the Council's Cabinet ([CAB2864](#)).

11.7 As the designs for the development are progressed at the end of each of the RIBA stages, the information feeding into the business case is updated to take account of the new design work, its construction cost and valuation and the implications of this approach for each of the 5 cases. Therefore throughout the design process, the information feeding into the business case



becomes more detailed and options narrowed down, moving from a business justification case at the start of the process, to an outline business case at the end of concept design to a full business case on which a final decision is made on whether and how to implement the project.

- 11.8 The continuing preparation of the Outline Business Case can be completed after the current RIBA Stage 2 design completion, scheduled for the end of December 2018, followed by cost and valuation work early in the New Year, followed by an update by Grant Thornton to the financial appraisal (see para 11.25 et seq.) and presented to Cabinet (SA) Committee in spring 2019.

### Economic Assessment

- 11.9 Grant Thornton (GT) were procured in April 2018 to undertake the economic and financial assessments for the Outline Business Case and issued a draft Economic Assessment in October 2018. In this they provide estimates of the key socio-economic impacts of the Carfax site development drawing information from a broad range of recognised benchmarks and guidance.
- 11.10 Table 2 Summary of economic performance below summarises points from the GT report on how Winchester District compares to economic performance of other areas which will be expanded for the outline business case to be considered at a future meeting.

**Table 2 Summary of economic performance**

	<b>Indicator</b>	<b>Key points from GT analysis</b>
<b>Productivity</b>	Gross Value Added (GVA) and GVA/job – value contributing to the economy	Winchester District is in top 40% of districts nationally for both indicators. GVA/job ranks 7 <sup>th</sup> of 11 areas in Hampshire.
<b>Key Industries</b>	Employees and enterprises	Winchester is in the top 25% compared to rest of England of local authorities for the percentage of enterprises in <ul style="list-style-type: none"> <li>• Retail</li> <li>• Financial &amp; Insurance</li> <li>• Professional, scientific &amp; technical</li> <li>• Knowledge</li> </ul> In relation to employees, Winchester is in the top 25% of local authorities for the percentage of employees in industry sectors: <ul style="list-style-type: none"> <li>• Knowledge</li> <li>• Information &amp; Communication</li> <li>• Financial and Insurance</li> </ul>

		<ul style="list-style-type: none"> <li>• Professional, scientific &amp; technical</li> <li>• Health</li> </ul>
<b>Business Demography</b>	Business formation, business size by employees and turnover	There has been an increase in newly registered businesses in last 6 years in Winchester (25% over 6 years). Winchester has a very high proportion of small businesses (10-49 employees) relative to the rest of England.
<b>Office Floorspace</b>	Average rateable value and total rateable value	Rateable floorspace in Winchester is relatively high compared to rest of England.  (but note that currently there is no recent Grade A office space in Winchester)
<b>Catchment areas</b>	Walk and drive time catchments around the site and population in these catchments	The site is within 20 mins walk of a working age population of around 15,000. Within a 20 min driving catchment, the working age population rises to approx. 60,000.
<b>Skills</b>	NVQ level qualifications	Winchester has a relatively high proportion of the population educated to degree level or higher at 56.1% (compared to 38.9% in Hampshire).

11.11 From this summary there is an indication that:

- a) Although Winchester ranks well nationally, compared to other Hampshire Districts GVA /job performs less well (ranks 7<sup>th</sup> of 11 areas in Hampshire) and there is potential for improvement in this area, demonstrating the benefit of Grade A office space in Winchester.
- b) Disparities between enterprises and employees where financial, insurance and health sectors have relatively high proportion of enterprises, but low proportion of employees and vice versa for retail indicate that there is disparity in the market which could be met through the provision for new businesses in Winchester.
- c) There is significant potential to utilise the local skills base in the local population, by supporting businesses which provide attractive job opportunities that utilise these skills.

11.12 From those benefits that can be monetised, Table 3 Summary of Estimated Benefits sets out the estimated gross and net (assessing the additionality of

new jobs i.e. taking account of displacement and leakage) annual benefits for jobs and GVA. More detail on the assumptions used for the estimates will be provided in a report on the Outline Business Case.

**Table 3 Summary of Estimated Benefits**

	<b>Estimated Direct Annual FTE jobs created</b>	<b>Estimated Indirect Annual FTE jobs created (through supply chains)</b>	<b>Total</b>
Gross figures (Total jobs created, midpoint of the range)			
Total number of jobs created <sup>1</sup>	961 (range - 778-1258)	396 (range 321-518)	<b>1,357</b>
Total GVA as a result of the jobs created <sup>2</sup>	£56m (range £46m-£74m)	£25m (range £20m-£33m)	<b>£81m</b>
Net figures using medium estimate (50% less than gross impacts, i.e. new rather than displaced jobs)			
Net additional jobs	481	198	<b>679</b>
Net additional GVA	£28m	£12m	<b>£40m</b>

11.13 Other wider benefits identified by Grant Thornton include:

- Salary uplift even where new jobs aren't additional (e.g. taken by an individual already employed elsewhere in the City), if the new jobs generated provide higher salaries than those currently offered in the area.
- Construction employment and GVA benefits, while transitory and not accounted for in the tables above, may provide temporary benefit to the local area potentially to the scale of 645 direct annual FTEs.
- Social impacts – this project provides an opportunity for the creation of employment opportunities for those currently unemployed, new employment opportunities for the local community.
- Regeneration catalyst delivering wider economic benefits by public sector investment in the area coupled with increased footfall in area and subsequent demand for supporting services (such as

<sup>1</sup> Direct jobs estimated using employment density assumptions set by Homes and Communities Agency. Indirect jobs estimated using ONS employment multipliers for relevant industries.

<sup>2</sup> Direct GVA has been estimated by multiplying the number of direct jobs by relevant ONS GVA per job figures for the relevant industries. Indirect GVA estimated using ONS GVA multipliers for the relevant industries

leisure/support facilities, food and beverage and other retail, and increasing investment confidence in private sectors through public sector investment.

- 11.14 Grant Thornton has provided estimates of the key socio-economic impacts of the proposed Carfax development. The potential net benefits and costs (changes resulting from the development alone) are being estimated making allowances for what would have happened in the absence of the scheme.
- 11.15 The total Net Present Value (NPV) is based on an estimate which assumes only a proportion of the costs and benefits of the scheme calculated over a 30 year period are related directly to the development. At a medium estimate (where net is only 50% of gross impacts) the total NPV is over £500 million. Even using a low estimate (where net is 75% less than gross impacts) NPV is over £100 million.
- 11.16 Other economic profiling has also been undertaken for the district. These assessments highlight the prosperity of Winchester's local economy relative to others in Hampshire. The city however only accounts for around a third of the GVA of the District, and is reported to be held back by its large public sector presence considered to make the town 'more vulnerable to certain economic shocks', and real estate activities although business services and ICT performed strongly which are important drivers of growth across Winchester ([Winchester Sub-Area Economic Profile July 2017 Economic Intelligence Business Service](#)). This further supports consideration of the additional potential in the town to contribute to GVA.
- 11.17 An economic profile of Winchester District commissioned by WCC in 2017 ([August 2017, DC research LTD](#)) identified that Winchester has a higher proportion of small enterprises across the district in comparison to the UK average. The existing office stock is limited for large and expanding businesses with no grade A standard office available within Winchester city, although market testing has demonstrated that there is a strong demand for larger offices and in particular grade A offices. Providing larger, high quality office space to meet demand and the objectively assessed need (determined through the Local Plan process) provides for a more sustainable balanced local economy with a range of employers and provides space and options not only for smaller enterprises, but also larger and expanding firms.
- 11.18 Other office space has been lost in the town to residential use since permitted development rights were introduced in 2013. This has now been controlled through a recent introduction of an Article 4 direction to remove these rights in the city. A report to the LEP in 2016 identified the shortage of supply of office space as one factor acting as a barrier to growth in the city and states that Winchester '...has many of the characteristics which are sought after by investors and there is arguably considerable latent demand for office space in the town' (Regeneris Consultancy, 2016, Enterprise M3 Commercial Property Market Study).

- 11.19 The employment profile of the city has a high proportion of qualified, professionals; in addition, the city has 2 universities which offer a large potential skill pool which could be retained in the city if employment opportunities allow. The objective of the project to provide Grade A office space provides professional and supporting services high value employment opportunities to meet aspirations of local residents and education standards within the local workforce; this development will provide close to 1,000 jobs (Mid –point), plus jobs during construction and supporting services opportunities.
- 11.20 The location of the site also provides opportunities for residents to work closer to where they live, thereby improving work-life balance in line with the Council's strategy aim of Improving the health and happiness of the community, and in-line with national trends such as set out in Development Consultancy JLL's 'Smart Building Programme – the Workplaces of tomorrow, today, 2018'. The Winchester Sub-Area Economic Profile ([July 2017 Economic Intelligence Business Service](#)) highlights that Winchester is not classed as a travel-to-work area due to the levels of in-commuter and out-commuter flows. The development of the Carfax site could help reduce the high level of out-commuting for the City.
- 11.21 Providing new employment opportunities for the local skills base will also help to meet the Council's own green agenda set out in the Council Strategy to improve the environment and reduce harmful emissions and will contribute towards the aims to develop a sustainable city. The development will be built to higher environmental standards than other existing offices, to minimise environmental impacts and the provision of significant employment opportunities in a highly sustainable location maximises the ability of the workforce and visitors to use public transport as opposed to other location by reducing the need for car travel. The site is adjacent to a main line railway station, with good public transport links in a central location within the city, and by providing reduced parking will reduce private car trips made to this sustainable location.

### Market Demand

- 11.22 There is market demand for the delivery of Grade A office space to provide larger, high quality office space for expanding, existing or new enterprises to relocate, consolidate or move into the city, the case for which is identified through the market testing.
- 11.23 Discussions with agents and interested potential tenants have continued; while it would be unusual to have confirmed interest at such an early 'concept design' stage, there has been sufficient interest to indicate that there is healthy demand for the type of high quality office, and supporting uses, being proposed, at Station Approach and that there is market interest in the proposals. Members will be kept informed at future Committee meetings.
- 11.24 The proposed development will help retain and attract new businesses into the local area, and be a catalyst for regeneration in the wider area around the

station/Andover Road. The high quality design and provision of new larger employment opportunities will help put Winchester on the map as a desired location in the corporate world.

### Financial Appraisal and Delivery

- 11.25 The emerging design work for the Carfax development is being costed and valued through an iterative process to take account of the efficiency savings exercises.
- 11.26 In terms of delivery, Grant Thornton were procured in April 2018 to also undertake a financial assessment to feed into the preparation of an Outline Business Case, which will set out in detail the options for delivery being considered. These are in summary:
- ii. **Sell site with Planning Permission:** The Council sells the Carfax site with outline and/or detailed planning permission and seeks for it to be developed externally with no further involvement.
  - iii. **Joint Venture Partnership:** The Council enters into a joint venture arrangement with a development partner. The Council puts its Carfax land assets into the joint venture whilst the development partner finances and delivers the build of the scheme. The Council buys back ownership of the whole developed site upon its completion.
  - iv. **Council acts as Developer:** The Council builds all of the elements of the development and grants leases for the office and retail accommodation.
  - v. **Income Strip Arrangement:** The Council enters into an income strip arrangement. A Fund purchases a long leasehold interest in the site. WCC enters into an occupational lease with the Fund and has the option to purchase the reversionary property interest for £1 at the end of the lease term.
- 11.27 If, and how the resulting design will be developed is a decision that the Cabinet (SA) Committee will make based upon the iterative business case process. This will consider the options for taking the project forward based on the impact of each option in terms of how it meets the strategic objectives of the Council, the economic considerations, financial assessments, the commercial and management context.

### Public Realm

- 11.28 This project will deliver selected schemes from the Public Realm Strategy (as set out in CAB3083(SA)) which will focus on aiding the delivery and add benefit to the development of the Carfax site; this is essential to meet the requirements of the LEP grant. Since last reporting in October 2018 CAB3083(SA), concept design work has progressed to develop principles of a scheme to meet the Station Approach public realm objectives as well as

further discussion with Network Rail/South Western Railway and HCC as Highway Authority. In addition, stakeholder discussions have taken place with Stagecoach, Hackney Cabs and Winchester Area Access For All (WAAFA), a forum dedicated to improving access and conditions for people with disabilities in the Winchester area, and Ward Councillors.

- 11.29 This evolving work is further establishing principles for priorities identified in the Public Realm Strategy (produced in February 2018 as part of the suite of documents relating to Station Approach) and in support of the LEP grant criteria of public realm enhancements to support the proposed Carfax development. These include enhanced movement in Station Hill and Station Road, based on a clear hierarchy of; pedestrian, then cyclist, then Public Transport, then Taxis, and private vehicles and in rebalancing the areas between the necessary 'functional zones', reducing the amount of tarmac (with improved materials and functions), organising street furniture and reducing street clutter and ensuring that the optimum balance between 'Gateway enhancement' and 'functional requirements' is met. This also includes meeting the needs of servicing, maintenance, emergency and rail-replacement bus service requirements.
- 11.30 The future progress and implementation of these public realm proposals can act as a catalyst for advancing, and securing funding for, other public realm proposals as identified in the wider Public Realm Strategy, and related to the themes and objectives of the emerging Movement Strategy, eg 're-allocation of road space to improve provision for pedestrians and cyclists (under the Priority 2 heading of 'Support healthier lifestyle choices' and 'enhancing public realm in the city centre to support sustainable growth', under the Priority 3 heading 'Invest in infrastructure to support sustainable growth', noting that such priorities remain as strategic headings in the Consultation version of the Emerging Movement Strategy Document. It should also be noted that both of the above priorities are identified in the Movement Strategy consultation document as 'High' cost, and for delivery over 'medium or medium to long term' timescales. These issues were discussed at a combined workshop for ward councillors and including design team and County Council representatives on 28 November 2018.

In support of the emerging public realm proposals, the Business Case for an EM3 Local Enterprise Partnership (LEP) Grant of £5m was submitted in early November, and is currently being assessed. The grant bid is based on support for delivery of a successful Carfax development scheme – primarily the adjoining public realm Gateway enhancements, but also for supporting works for the Carfax scheme, as put forward in previous bids to the EM3 LEP, e.g. to contribute to archaeological works, retention and enhancement of the existing Registry office and utility upgrade improvements that are necessary.

- 11.31 The LEP have advised that a decision on Grant award can be potentially anticipated at the end of January 2019. It is known at this stage that the award of LEP grant will be conditional on planning permission being granted for the Carfax development, and on a delivery route for the scheme being

established. With that in mind, the combined project teams for the Carfax and Public Realm proposals are closely liaising to ensure an integrated Programme, being supported through a common Project Board and Advisory Group, and reporting to this Cabinet Committee. The grant bid allows for up to £1m of grant award to be used to support the Carfax development alongside public realm improvements.

#### 11.32 Next Steps for Carfax

- Through to January 2019 - refinement of the design, costs, valuation and viability to finalise the RIBA Stage 2 Concept design, to inform the Outline Business Case.
- March 2019 - Paper to Cabinet (SA) Committee to consider the Outline Business Case and sign off RIBA Stage 2 and decision of whether to proceed to RIBA Stage 3. Public Consultation will be undertaken in accordance with scheme progression.
- Spring - Summer 2019 - Progression of the scheme will be in accordance with decisions taken at RIBA Stage Gateways.

#### 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 At the end of RIBA Stage 2, and each subsequent RIBA Stage, the Council and the Design Team have a gateway in which they can decide whether to continue with the next stage of the design process. The next gateway is the end of RIBA Stage 2 and the Outline Business Case. The gateways for the scheme are summarised below:

<b><i>Project Stage</i></b>	<b>Gateway Cabinet (SA) Committee Approval</b>
RIBA Stage 2 – Concept Design and Outline Business Case	Approval of RIBA Stage 2 and agreement to proceed to RIBA Stage 3
RIBA Stage 3 - Development of Design to planning application	Approval of RIBA Stage 3 and agreement to proceed to RIBA Stage 4
RIBA Stage 4 – Technical Design and full Business Case	Approval of RIBA Stage 4 and agreement to proceed to RIBA Stage 5
RIBA Stage 5 - Construction	

- 12.2 There is therefore no commitment for the Council to develop a scheme at this point, and decisions on delivery options can be made at the appropriate gateway point.



BACKGROUND DOCUMENTS:-Previous Committee Reports:-

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:-

- Winchester Sub-Area Economic Profile, July 2017, Economic Business Intelligence Service:  
[http://www.winchester.gov.uk/assets/attach/14013/WinSA\\_EconP\\_310717.ppt](http://www.winchester.gov.uk/assets/attach/14013/WinSA_EconP_310717.ppt)  
[X](#)
- Economic profile of Winchester District in 2017, August 2017, DC research LTD:  
<http://www.winchester.gov.uk/assets/attach/14012/FINAL%20A132%20Winchester%20Economic%20Profile%20311017.pdf>
- Enterprise M3 Commercial Property Market Study, 2016, Regeneris Consultancy: <https://www.enterprisem3.org.uk/file/889/download?token=-LB95OcV>

APPENDICES:

Appendix 1: Key Risks

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**Risk Register – Key:**

Likelihood Rating

It is unlikely that in many cases the probability of a risk occurring can be calculated in a statistically robust fashion as we do not have the data to do so. However, as an indicator, the likelihood is defined by the following probability of a risk occurring:

Likelihood	Probability
Highly Unlikely	1% to 25% chance in 5 years
Unlikely	26% to 50% chance in 5 years
Likely	51% to 75% chance in 5 years
Highly Likely	76% to 100% chance in 5 years

Risk Proximity

The score for risk proximity supports the Council in focusing on certain risks that may occur soon and ignore risks that will not occur in the near future. This enables risk management to be more efficient.

A number of between 1 and 4, where 1 means the risk is about to occur within the next 3 months and 4 means the risk is not likely to occur within the next year is provided.

Risk Proximity Score	Time scale
1	Occurring within the next 3 months
2	Occurring within the next 6 months
3	Occurring within the next 1 year
4	Unlikely to occur within 1 year

Financial Impact

The financial impact to the Council is an important consideration, however this should be viewed alongside the likelihood of the risk occurring and not assumed to be inevitable.

The scoring of the financial impact relates to the cost to the Council if that risk were to occur, however it should not relate to the cost of managing or mitigating the risk.

The financial impact is scored as highly likely it would be prudent for the Council to ensure that it has set aside an adequate financial provision. The financial impact is scored as follows:

Financial Impact Score	Time scale
£	£1 – £20,000
££	£20,0001 - £200,000
£££	£200,001 - £2,000,000
££££	£2,000,001 plus

Impact Rating

The following table provides the definitions which should be used when determining whether a risk would have a Low, Moderate, Major or Significant impact

	<b>Low (1)</b>	<b>Moderate (2)</b>	<b>Major (3)</b>	<b>Significant (4)</b>
<b>Financial</b>	Less than £20K	£20k or over and less than £200K	£200K or over and less than £2m	£2m plus
<b>Service Provision</b>	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term Statutory duties not delivered
<b>Health &amp; Safety</b>	Sticking Plaster / first aider	Broken bones/illness Lost time, accident or occupational ill health	Loss of Life/Major illness – Major injury incl broken limbs/hospital admittance. Major ill health	Major loss of life/Large scale major illness
<b>Morale</b>		Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/Unable to attract staff
<b>Reputation</b>	No media attention / minor letters	Adverse Local media Leader	Adverse National publicity	Remembered for years
<b>Govt relations</b>	One off single complaint	Poor Assessment(s)	Service taken over temporarily	Service taken over permanently

<b>Risk Title: Change in markets, costs, and taxation</b>						
<b>Causes</b>	<b>Consequences</b>	<b>Current Controls</b>	<b>Current Risk Score</b>		<b>Risk Proximity</b>	<b>Financial impact</b>
			<b>Likelihood</b>	<b>Impact</b>		
Changes in markets, cost of construction or other financial/ taxation elements	Affects finance, costs, and/or rents Uncertainty about, or inability to achieve level of rents to keep the scheme in a position of strong viability Increased cost of construction 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 Development does not achieve the financial return required. Design Team fees increase due to fees agreed through procurement.	Mitigate 1. Maintain political support to move project forward and prevent delays. 2. Continued economic and political monitoring. 3. Continue to review costs and values before deciding to proceed. 4. Allow contingency in programme to address issues if risk realised 5. Ensure there is a proper discussion to establish the most appropriate business mix to deliver the expected outcomes and that this is backed up with a solid evidence base. 6. Liaise with the Finance Team to ensure the financial models and assumptions reflect the expected outcomes and they include the latest information that is available. 7. Continue to review costs and values before deciding to proceed. 8. Carry out continual economic and political monitoring. 9. Ensure an element of contingency is built into the construction budget.	Likely	Significant	3	£££ - ££££
<b>Further actions</b>			<b>Target date</b>		<b>Residual Risk Score</b>	
					<b>Likelihood</b>	<b>Impact</b>
Market the site and pursue other tenants Market testing should also be undertaken to ensure continuing demand. Instruct a full financial and cost report prior to submitting any planning application. 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 outputs from the financial model as the project progresses. Instruct a full financial and cost report prior to submitting any planning application.			Q4 2018/Q12019		Likely	Moderate

Risk Title: Financial Market changes						
Causes	Consequences	Current Controls	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Changes occur in the financial markets	Affects finance, costs, and/or rents. Significantly increased cost of borrowing. (This will have a greater impact depending on the degree to which the Council decide to develop the site/s themselves).	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 CMT and Councillors prior to any financing commitment being made.	Likely	Major	4	£££
Further actions			Target date		Residual Risk Score	
Continued monitoring			ongoing		Likely	Moderate

Risk Title: Designs and Gateway approvals						
Causes	Consequences	Current Controls	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Designs are rejected and gateways not approved	Delay in project programme. Changes to the programme and scope of the project incur additional fees under the contract. Design Team's fees become unrecoverable. Impact on the interested businesses. Impact on the Medium Term Financial Strategy.	Mitigate 1. Work with Design Team during formulation of designs to ensure these reflect the themes and principles of the brief so Cabinet Members can be comfortable to proceed with recommended design. 2. Establish bi-monthly briefings for Cabinet members on Cabinet (SA) Committee and keep other members informed through informal Cabinet. Involve ward member representative in Advisory Panel. Request delegated authority where appropriate and possible.	Likely	Significant	1	££
Further actions			Target date		Residual Risk Score	
Agree programme at start of each stage and sign-off amendments with Project Board and Committee members.			ongoing		Unlikely	Major

<b>Risk Title: Delivery decisions and procurement</b>						
<b>Causes</b>	<b>Consequences</b>	<b>Current Controls</b>	<b>Current Risk Score</b>		<b>Risk Proximity</b>	<b>Financial impact</b>
			<b>Likelihood</b>	<b>Impact</b>		
Decision on procurement of delivery partner/agreement of delivery route	Financial exposure Impacts on programme Impacts on confirmation to LEP for securing £5m grant Exposure to risks which requires increased insurance limits and indemnities.	Mitigate Provide robust business case information to support decision making. Build time into programme for procurement and allow contingency in programme for decision making requirements. Advice from 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	2	£££
<b>Further actions</b>		<b>Target date</b>	<b>Residual Risk Score</b>			
			<b>Likelihood</b>		<b>Impact</b>	
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.		2019 and ongoing	Unlikely		Moderate	

<b>Risk Title: Programme risks in relation to governance, finance, resourcing and contingency</b>						
<b>Causes</b>	<b>Consequences</b>	<b>Current Controls</b>	<b>Current Risk Score</b>		<b>Risk Proximity</b>	<b>Financial impact</b>
			<b>Likelihood</b>	<b>Impact</b>		
Pressure on delivery timescale to ensure securing tenants for site and retain public support.	Pressure put on project programme removes contingency from design, business case and delivery stages Programme may require elements of overlapping RIBA stages. Work is commissioned at an agreed level of financial risk Pressure put on project resources	Mitigate Use 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	££
<b>Further actions</b>		<b>Target date</b>	<b>Residual Risk Score</b>			
			<b>Likelihood</b>		<b>Impact</b>	
Continued soft marketing and engagement		on going	Likely		Moderate	

<b>Risk Title:</b> Construction cost may require fee adjustment.						
<b>Causes</b>	<b>Consequences</b>	<b>Current Controls</b>	<b>Current Risk Score</b>		<b>Risk Proximity</b>	<b>Financial impact</b>
			<b>Likelihood</b>	<b>Impact</b>		
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.	Likely	Major	3	£££
<b>Further actions</b>		<b>Target date</b>	<b>Residual Risk Score</b>			
			<b>Likelihood</b>		<b>Impact</b>	
Review contingency in valuation to cover design team fees increases.		Q1 2019	Likely		Moderate	

<b>Risk Title:</b> Network Rail and HCC governance process						
<b>Causes</b>	<b>Consequences</b>	<b>Current Controls</b>	<b>Current Risk Score</b>		<b>Risk Proximity</b>	<b>Financial impact</b>
			<b>Likelihood</b>	<b>Impact</b>		
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.	Bid for Local Enterprise Partnership (LEP) funding is 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.	Mitigate Close liaison with M3 Enterprise LEP, and land owners (Network Rail, HCC) throughout the project to agree priorities for spend and mechanisms and programme for delivery.	Likely	Major	3	££££
<b>Further actions</b>		<b>Target date</b>	<b>Residual Risk Score</b>			
			<b>Likelihood</b>		<b>Impact</b>	
Continue close engagement with landowners for public realm works and identify any requirements for sign-off using their processes.		Q4 2018/ongoing	Unlikely		Major	