

REPORT TITLE: STATION APPROACH – OUTLINE BUSINESS CASE AND ASSOCIATED MATTERS

20 MARCH 2019

REPORT OF PORTFOLIO HOLDER: CLLR STEVE MILLER

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WARD(S): ST PAULS / ST BARTHOLOMEW

PURPOSE

This report provides an update on the Carfax development scheme RIBA Stage 2 Design Work and associated Public Realm Concept design along with feedback on public consultation and sets out the next steps towards delivery.

The report seeks the sign off of RIBA Stage 2 (Concept Design) gateway.

The Outline Business Case is also provided which sets out an assessment of the strategic, economic, commercial, financial and management cases for the scheme, including delivery options for the development, although no final decisions are being sought on this at this stage, and recommends a preferred approach for future delivery.

The report also seeks authority to submit an outline planning application for development on the Carfax site based on the RIBA Stage 2 design, in line with the resolution from 4 October 2018 Cabinet (Station Approach) Committee to begin preparation of the application with a view to submission at the end of March 2019.

Additionally, the report seeks approval for the appointment of a firm of solicitors using an EU compliant framework covering legal services which has been set up by either the Crown Commercial Service or NHS Shared Business Services Ltd to provide procurement and other necessary legal advice and to undertake all necessary legal work on the Council's behalf.

The report also seeks authority for the Council to publish a Prior Information Notice with a view to carrying out soft market testing in the event of the Council choosing to carry out an EU procurement process if this is deemed necessary

RECOMMENDATION:

1. That The Overview and Scrutiny Committee raises with the Leader or relevant Portfolio Holder, any issues arising from the information in this report and considers whether there is any items of significance to be drawn to the attention of Cabinet (Station Approach) Committee.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

1.1 The Council Strategy is focused on four key outcomes:

- Making the District a premier business location
- Developing quality housing with a balanced range of tenures
- Protecting and enhancing our unique environment
- Delivering services that encourage residents to lead healthy and fulfilling lives

1.2 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.

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 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 was submitted to the EM3 Local Enterprise Partnership in November 2018 for an anticipated decision on allocation of grant in March 2019. If accepted by the EM3 LEP, this will secure a £5 million LEP grant for public realm and Gateway improvements in support of the Carfax development. The EM3 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.

**Table 1 Budget and Expenditure Summary**

	<b>Carfax</b>	<b>Public Realm</b>
<b>Approved budget</b>	Revenue: £1,500,000 Capital: £1,800,000	Revenue: £225,000
<b>Expenditure (on current project)</b>	Revenue: £1,163,140	Revenue: £43,724
<b>Committed or Planned</b>	Revenue: £ 187,109 Capital: £330,000	Revenue: £181,411
<b>Available budget</b>	Revenue: £149,751 Capital: £1,470,000	Revenue: £0

- 2.5 No further budget requests are required for the procurement of legal advice to inform the next stage of delivery work.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Legal Advice has already been obtained from Bevan Brittan solicitors. They have already provided advice on different procurement routes available to the Council and initial advice on the parameters of a land disposal without a procurement . Further advice is currently being sought on the latter. Additional legal resource will be required to advise on the final proposals and arrangements, including the use and extent of any permitted conditions in the event of a sale if the Council were to choose to go down this route and which can be covered under the existing budget.
- 3.2 Following the initial legal advice, further legal support will be needed to develop and determine the preferred delivery route. Cabinet (SA) Committee are asked to authorise the Head of Legal (in consultation with the Head of Programme) to appoint a firm of solicitors either by way of direct call off or mini competition under an EU compliant framework such as the Crown Commercial Services (CSS) existing framework for legal services, or the NHS Shared Business Services framework to obtain advice on the preferred way forward for Station Approach and to carry out such legal work as may be required
- 3.3 The original price / quality weightings under the NHS Framework were 50% price 50% quality. However in the event of a mini competition these can be adjusted 20% either way.
- 3.4 Under the Council's Contract Procedure Rules the normal price quality weightings are 60% (price)/40% (quality). The CCS Framework was evaluated using different weightings (Property on a split of 80/20 Quality/Price, and EU Planning/ Projects on a split of 70/30 Quality/Price). If the Council was to proceed with a mini competition under either framework, this could be re-adjusted.

### 4 WORKFORCE IMPLICATIONS

- 4.1 The procurement listed in section 3 of this report is necessary as there is not the resource in-house to provide the level of services required within the time-scales required.
- 4.2 There is still likely to be considerable in house resources required even if external solicitors are appointed. Day to day project management will be retained by the Council's project team and contracted consultants.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Council continues to receive enquiries about potential tenant enquiries for the proposed development project.

- 5.2 Discussions are underway with HCC re. minor incursions of the proposed scheme into highway (pavement) adjoining the site (on Station Road and Gladstone St), matters which can be dealt with under the Highways Act.

## 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 Further public consultation was held through pre-application information events in February 2019. Members were briefed on the concept design and the proposed engagement events on 21 February in an all-Members briefing at which the exhibition boards and a model were presented by the Council and Design Team. Local residents from Gladstone Street, Newburgh Street, Sussex Street, Upper High Street and Stockbridge Road were invited to a separate viewing session on the morning of Saturday 23 February. Public sessions were held in the afternoon of Saturday 23 February and Tuesday 26 February. A static exhibition was available in the Discovery Centre for 10 days and comments were sought until 4 March.
- 6.3 Over 250 people attended the events and through the comment period 118 responses were received. An Engagement Report is being produced which will bring together the comments made through the engagement period and a verbal update on this report will be given to Overview & Scrutiny Committee and Cabinet (Station Approach) Committee on the engagement.
- 6.4 So far, the main points raised through the February engagement sessions relate to:

### Carfax Site and Outline Planning Application Proposals

- Building design and height
- Parking

### Public Realm Concept Designs

- Station building Improvements including refuse storage
  - Landscaping
  - Drop-Off and Pickup
  - Traffic
  - Public Transport
  - Station Road
  - Cycling routes
- 6.5 Issues raised on the Carfax site have been considered and changes made to the Design and Access Statement (DAS), to be submitted as a key part of the Outline Planning Application, where appropriate. The DAS will accompany the approved drawings to be considered through the outline planning application

process. A Statement of Community Involvement (SCI) is also submitted as part of the application, to set out the details of stakeholder engagement and public consultation that has been conducted in relation to the proposals. Issues raised will be picked up with partner organisations where the issue relates to third party land or responsibility. Considerable effort has already gone into joint working with key stakeholders to bring forward proposals in the wider area, outside the project area and/or the responsibility of the Council.

- 6.6 As part of the planning process for the consideration of the outline planning application, there will be an opportunity to comment on the submitted outline application through statutory and neighbourhood consultation.

## 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'. The planning expectation will be based on this policy and it will be for the applicant (i.e. the project) to demonstrate how it will meet the policy objectives. The outline planning application will demonstrate that the development can achieve BREEAM Excellent with full details secured at reserved matters stage. In addition, measures will be proposed 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 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'.

## 8 EQUALITY IMPACT ASSESSMENT

- 8.1 None required at this time. There has been liaison with accessibility and disability groups through the work on 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 main risks relate to potential changes in the commercial market including post Brexit, these could have significant consequences on: 1) the cost of materials and labour affecting construction prices, 2) the required financial return; - if sufficient office prelets are not secured prior to practical completion and at the target rental values, 3) changes in the Investment market, and 4) changes in financial markets.

**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, and impact on LEP grant.
- 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:

### Introduction

- 11.1 Winchester City Council has a long held desire to support the economic future of the city through the development of new, high quality offices at Station Approach; this objective is clearly set out within the Council Strategy to make the District a premier business location.
- 11.2 The Design Team for the project (led by Lifschutz Davidson Sandilands) has developed the concept design for an office-led mixed use development on the Carfax site through iterative design work following public consultation on RIBA Stage 0-1 (Strategic Definition and Preparation of Brief) in March 2018, further stakeholder engagement, consideration and reviews of the brief, and cost and valuation exercises held with the Council and their consultants.
- 11.3 On the basis of the final RIBA Stage 2 Concept design work and subsequent costings and valuation of this design, an Outline Business Case (OBC) has been produced.
- 11.4 Within this report, Cabinet (SA) Committee are asked to approve the final RIBA Stage 2 (Concept Design) work, and consider the evidence and information provided in the Outline Business Case for approval of the recommended preferred way forward which would then be developed further through the business case process to deliver the Carfax development, including soft market testing, programme, procurement and legal implications. To take the delivery work forward, Cabinet (SA) Committee are also asked to approve the

arrangements for the appointment of a legal advisor to guide the Council's decision on refining the preferred way forward for delivery of the Carfax site.

- 11.5 Further to this, on approval of the RIBA Stage 2 concept design work, Cabinet (SA) Committee are asked within this report to authorise the Head of Programme to submit an outline planning application for the Carfax development scheme on the basis of the RIBA Stage 2 Design Work.
- 11.6 In line with the Cabinet (Station Approach) Committee decision (CAB3101(SA) refers), public consultation on the pre-application information for the outline planning application was held in Feb 2019, and summary of the comments received is provided within this report. Cabinet (SA) Committee are asked to note the comments received through the public consultation on the pre-application information.
- 11.7 A concept design has also been produced for the associated public realm improvements in Station Hill/Station Road in accordance with the Gateway enhancement objective at Station Approach. These proposals are the basis of attracting a £5m EM3 LEP grant, approval of which is hoped for at the end of March 2019. Cabinet (SA) Committee is asked to approve the concept approach being taken, to enable the next detailed design stage to immediately follow, in accordance with the necessary timetable imposed by the LEP for grant spend by 31 March 2021.

#### The Outline Business Case Approach

- 11.8 This OBC is provided in Appendix 1 to this report and follows the framework of the HM Treasury Green Book using the Five Case Model to identify the best value for spending public sector money taking into account the direct and indirect benefits of the proposals.
- 11.9 This same approach has been used in the consideration of the new Winchester Sport & Leisure Centre. The five cases considered within the OBC are as follows:
- 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
- 11.10 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). This report sets out the Outline Business Case (OBC), which will be further developed, in accordance with the delivery route chosen.

- 11.11 Part of the economic case for the OBC was presented to Overview & Scrutiny Committee on 13 December 2018 and to Cabinet (Station Approach) Committee on the 18 December 2018, and the Committee resolved to note ‘that 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 ...’.
- 11.12 This information is included in this document as part of the complete OBC, along with the other 4 ‘cases’ alongside each of the five options for delivery. The conclusions for each case are set out below.
- The Strategic Case confirms why the proposal is needed and how it furthers the Council’s aims and objectives. It concludes that implementing the project will support the delivery of both the Council’s own, and wider strategies.
  - The Economic Case demonstrates value for money through the wider economic benefits of the scheme including GVA and job creation in particular.
  - The Commercial Case demonstrates that the proposed development can meet the ‘test’ of being commercially viable and result in a viable procurement.
  - The Financial Case sets out that the project is affordable to the Council and that the costs are realistic and the required funding will be available and supported for the various options for delivery of the proposed scheme.
  - The Management Case demonstrates that there are appropriate arrangements for the delivery, monitoring and evaluation of the scheme and these are achievable.
- 11.13 The options considered in the OBC include a ‘do nothing’ option which sets the baseline for comparison of the other delivery options which are summarised as options B-E below.

A	Do nothing - No development/ improvement takes place in the area	
B	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.	Sell with planning
C	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.	JV and buy back all

D	The Council builds all of the elements of the development and grants leases for the office and retail accommodation.	WCC develops the site
E	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 at the expiry of the headlease after 40 years, the property will revert back to WCC.	Income strip

- 11.14 The OBC appraises the financial implications and benefits of each of these options and moderates these with the key risks associated with each of these options.

#### Conclusions of the Outline Business Case

- 11.15 Without risk weightings being incorporated, this exercise (set out in Table 26 of Appendix 1 to this report) concluded that option E (income strip) provided the best balance of benefits; WCC develop the site second, JV approach third and the sale option fourth. The 'do nothing' baseline demonstrated the lack of benefits this option would provide in relation to the costs and scored lowest.
- 11.16 The balance with the risks incorporated (set out in Table 27 of Appendix 1 to this report), however, lies with the sale option which is considered to have the lowest risk to the Council in meeting the strategic objectives, the financial case, and the commercial case. It is also one of the lowest risk options for the management case and is comparative to the other delivery options for the economic case.
- 11.17 When considering the other delivery options, there are significant concerns about a high level of risk relevant to the financial, commercial and management cases in particular which although scored better than option B in the options appraisal, mean that there is not a clear single preferred option recommended at this stage.
- 11.18 As a result of the options analysis and risk moderation exercise, including externally facilitated Officer and Cabinet Member Workshops held in January 2019, it is recommended that in parallel with the submission of an outline planning application, all the delivery options remain as options at this stage, and that the following options be explored further through the development of the business case during the next stage.
- Sell with planning permission
  - Income strip
- 11.19 There are opportunities that can be explored within these options which may increase the realisable benefits resulting from the shortlisted delivery options. This will help establish the final preferred option for the delivery of the Carfax site.

## RIBA Stage 2 Concept Design

- 11.20 The proposal is for an office-led mixed use redevelopment, ranging over 2-5 storeys in 2 main buildings, with an additional pavilion building and retention of the Registry Office , comprising of (rounded net internal areas unless otherwise stated):
- Office: approx. 13,000 m<sup>2</sup> (approx. 140,000 ft<sup>2</sup>)
  - Bar/restaurant: 835 m<sup>2</sup> (9,000 ft<sup>2</sup>)
  - Retail: 465 m<sup>2</sup> (5,000 ft<sup>2</sup>)
  - Café: 370 m<sup>2</sup> (4,000 ft<sup>2</sup>)
  - Car parking: Up to 135 spaces
  - Cycle Parking: min of 156 spaces
  - Public realm improvements
- 11.21 These figures have been derived through the assessment and development of the project brief through RIBA Stages 0-2 and iterative testing of the costs and viability of the design work for a scheme that can be commercially viable as set out within this OBC. The concept design has been drawn up following the principles of the RIBA Stage 1 Masterplan Framework for an office-led mixed use redevelopment of land at the Carfax site.
- 11.22 The Carfax development and public realm Concept Design work is set out in the [exhibition boards](#) which formed part of the pre-application public consultation. CGIs are provided to show the illustrative scale and massing of the proposed buildings, and indicative materials shown are to provide an illustration of what the building could look like, but, along with appearance, do not form part of the outline planning application. This detail of the design work would be developed and costed and then submitted to the local planning authority for consideration as reserved matters planning application(s). A presentation of the scheme will be given at the meeting.

## Outline Planning Application

- 11.23 In line with a recommendation in CAB3101(SA) to this Cabinet (December 2018), work has progressed on preparation of a planning application. An outline planning application will be submitted at the end of March 2019. This will seek approval for the following matters:
- Parameter plans (the extent and height of the buildings and the retention of the old Registry Office)
  - Mix of uses on the site
  - Step-free pedestrian route through the site
  - Access to the car park and car/cycle parking provision
- 11.24 This will provide potential development partners with the confidence that the project is deliverable, establish key parameters, as above, whilst retaining the flexibility for detailed design to be progressed with a development partner. It will also raise the profile of the project to enhance the prospect of securing potential tenants as pre-lets for the development.

- 11.25 Pre-application public consultation events were held in February 2019 as set out in section 6 of this report and comments are summarised in the appended engagement report.

#### LEP Funding

- 11.26 The OBC relates to the proposed development on the Council owned area of the Carfax site for the Carfax development, not the wider area of the public realm. Proposals for the public realm outside the Carfax site have been subject to a separate business case application to Enterprise M3 LEP who is considering funding these public realm works where they directly support the economic objectives of the Carfax development.
- 11.27 The LEP funding will also be used, in part, to support the Carfax development to satisfy the LEP's key objective of new jobs provision.

#### Public Realm

- 11.28 The public realm proposals are centred around making Station Hill a more pedestrian friendly environment by moving the mini roundabout in Station Hill to Station Road, and thereby have only buses (and limited delivery/service vehicles) passing in front of the Station, and on Station Hill. In addition, facilities for cyclists will be improved, where possible, along with the arrangements for bus and taxi users. Opportunities for drop offs/pick-ups will be incorporated into the public realm/highway rearrangement, including seeking that opportunities are improved within Network Rail/SWR parking areas on the west and north sides of the station. Active discussions with those agencies are taking place. A presentation of the concept design will be given at the meeting.
- 11.29 The upcoming developed design (Stage 3) exercise will address details within all above elements, including improved road and paving materials, street furniture, lighting, wayfinding and planting. The design and Council team continue to work closely with HCC (and Network Rail and SWR) regarding future maintenance and operational aspects.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 A number of options have been considered within the OBC provided in Appendix 1 of this report.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

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:-

None

APPENDICES:

- Appendix 1: Outline Business Case
  - Annex 1: Economic Appraisal - EXEMPT
  - Annex 2: Financial Appraisal – EXEMPT
  - Annex 3: Commercial Appraisal – EXEMPT
  - Annex 4: Key Risks
  - Annex 5: Roles and Responsibilities
  - Annex 6: RIBA Plan of Work Stages
  
- Appendix 2: Risk Register for Key Risks

## **APPENDIX 2: RISK REGISTER FOR KEY RISKS**

### **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:

<b>Likelihood</b>	<b>Probability</b>
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.

<b>Risk Proximity Score</b>	<b>Time scale</b>
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:

<b>Financial Impact Score</b>	<b>Time scale</b>
£	£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

Risk Number: 15		Risk Owner: Project Executive				
Risk Title: Change in commercial market including post Brexit						
Causes	Consequences	Current Controls	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
<p>Change in commercial market</p> <p>Potential occupiers do not sign up for pre-lets of all of office space prior to practical completion of the development.</p>	<p>Required financial return for the Council is not met</p> <p>Delay in project programme.</p> <p>Changes to the programme and scope of the project incur additional fees under the contract.</p> <p>Impact on the interested businesses.</p> <p>Impact on the local economy.</p> <p>Impact on the Medium Term Financial Strategy.</p> <p>- Office and Retail</p>	<p>Mitigate</p> <p>1. Maintain political support to move project forward and prevent delays.</p> <p>2. Continued economic and political monitoring.</p> <p>3. Mitigate - there is significant interest from prospective occupiers and the Council will seek to formalise their interest via non binding agreements. Market testing should also be undertaken to ensure continuing demand and the site will be actively marketed. An outline planning application route is also being used to stimulate further market interest.</p> <p>4. Mitigate - undertake market testing to ensure demand and do so regularly to ensure demand continues. Regularly engage with those retailers who have expressed an interest.</p>	Likely	Major	2	£££ - ££££
Further actions		Target date	Residual Risk Score			
			Likelihood	Impact		
<p>Market the site and pursue other occupiers</p> <p>Market testing should also be undertaken to ensure continuing demand.</p>		Q4 2018	Unlikely	Moderate		

Risk Number: 18		Risk Owner: Project Executive				
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 (SA) Committee members 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.		Q1 2019	Likelihood	Impact		
			Unlikely	Major		

Risk Number: 23		Risk Owner: Project Executive				
Risk Title: Changes in markets, costs (including finance and construction costs), and taxation treatment on financial return including post Brexit						
Causes	Consequences	Current Controls	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Changes in markets, cost of construction and/or borrowing	Full project business case does not achieve commercial and / or financial viability Affects finance, costs, and/or rents	Mitigate 1. Ensure there is a proper discussion to establish the most appropriate business mix to	Likely	Significant	2	££££

<p>(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>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).</p>	<p>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 reflect the expected outcomes and they include the latest information that is available.  3. Continue to review costs and values before deciding to proceed.  4. Carry out continual economic and political monitoring.  5. Ensure an element of contingency is built into the construction budget.</p>				
Further actions		Target date	Residual Risk Score			
<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 outputs from the financial model as the project progresses.  Instruct a full financial and cost report prior to submitting any planning application.  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.</p>		Q4 2018	Likelihood	Impact		
			Unlikely	Moderate		

Risk Number: 26			Risk Owner: Project Executive			
Risk Title: Project delivery						
Causes	Consequences	Current Controls	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			
None identified at this stage		n/a	Likelihood	Impact		
			likely	Major		

Risk Number: 27			Risk Owner: Project Executive			
Risk Title: Programme risks in relation to governance, resourcing and contingency						
Causes	Consequences	Current Controls	Current Risk Score		Risk Proximity	Financial impact
			Likelihood	Impact		
Pressure on delivery timescale to ensure securing occupiers 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	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	££
Further actions		Target date	Residual Risk Score			
None identified at this stage		n/a	Likelihood	Impact		
			Likely	Moderate		

<b>Risk Number: 52</b>			<b>Risk Owner: Project Executive</b>			
<b>Risk Title:</b> Construction cost may require fee adjustment.						
Causes	Consequences	Current Controls	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.	Likely	Major	3	£££
Further actions		Target date	Residual Risk Score			
			Likelihood	Impact		
Review contingency in valuation to cover design team fees increases.		Q1 2019	Likely	Moderate		
<b>Risk Number: 61</b>			<b>Risk Owner: Project Executive</b>			
<b>Risk Title:</b> Network Rail governance process						
Causes	Consequences	Current Controls	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.		Q3 2018	Unlikely	Major		