

Carfax development scheme, Station Approach, Winchester

Outline Business Case (OBC)

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The Outline Business Case has been collated by WCC Officers based upon expert input from:

- Commercial/Valuation inputs – Vail Williams
- Cost inputs – Mace
- Economic/Financial Assessments – Grant Thornton
- Carfax Scheme Peer Review (Nov 2018) – Citicentric
- Delivery Workshops (Officer and Cabinet Member) (Jan 2019) – Citicentric

The Outline Business Case has been reviewed by WCC Consultants: Grant Thornton, Vail Williams, and Sarah Williams, RIBA Advisor

The Outline Business Case has been reviewed and endorsed by:
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1. Executive Summary

- 1.1.1 Winchester City Council is supporting the economic future of the city through the promotion of the development of new, high quality offices at Station Approach in line with the Council Strategy (Feb 2018 edition 2018-2020) objective that the Winchester district will be a premier business location.
- 1.1.2 The Local Plan, which implements the spatial aspirations of the Council Strategy, has allocated the Carfax site at Station Approach for office-led mixed use development. This is supported by an Outline Business Case.
- 1.1.3 The development, which is adjacent to the station, will provide Grade A office accommodation together with supporting and complimentary uses such as food and beverage offers and ancillary retail. The proposals, when fully occupied, could provide up to 1,000 jobs and significant improvements to the public realm area around the station – a key gateway to the city. In addition, it is estimated the development will bring an £81m economic boost to the area.
- 1.1.4 The council considers strategic, outline and full business cases at key project gateways, complying with HM Treasury Green Book guidance. The Station Approach Strategic Business Justification Case was considered by Cabinet, and approved in March 2017 (CAB2864). This document forms the Outline Business Case (OBC) for the development to inform Cabinet (Station Approach) Committee decisions at this gateway stage of the project.
- 1.1.5 The OBC uses the Five Case Model (HM Treasury Green Book) to identify the best value for spending public sector money taking into account the direct and indirect benefits of the proposals. The five cases considered within the OBC preparation are:
- Strategic
 - Economic
 - Commercial
 - Financial
 - Management

The Strategic Case – case for change

- 1.1.6 This demonstrates that there is a compelling case for change and how the proposal furthers the Council's aims and objectives. The conclusion of the strategic case is that there is evidenced justification for the project in terms of current and anticipated market demand and that implementing the project will support the delivery of both the Council's own, and wider strategies set out in more detail within Section 3, the Strategic Case.

Economic Case – ensuring value for money and wider economic benefits

- 1.1.7 This considers whether the development delivers best public value to society and sets out the significant positive economic impacts of the scheme. Within the economic case the critical success factors are identified and the long and short list of options are set out. The main costs and benefits of the four delivery options: Sell with the benefit of planning, Joint Venture, Council build, and

Income Strip arrangement, are considered against a 'Do Nothing' baseline scenario and the risks of each option are appraised.

- 1.1.8 The conclusion sets out the economic benefits and implications arising from the proposed development, by taking account of costs, economic and wider impacts, focussing on GVA (Gross Value Added – economic impact on the area) and in particular job creation. The proposal will provide accommodation for up to 1,000 direct jobs, c. 400 indirect jobs and an estimated £81m economic benefit to the area. In addition, some 640 direct annual FTE construction jobs will be created over a 12 month period and additional benefits such as reducing “out commuting” by providing quality jobs in Winchester and wider catalytic regeneration benefits.

Commercial Case – case for commercial viability

- 1.1.9 This demonstrates whether the proposed development can meet the test of being commercially viable.
- 1.1.10 The commercial case, assessing viability, has been derived through valuing the proposed completed development to establish the Gross Development Value (GDV). The total development costs are then deducted to establish a net profit. The costs have been established by an iterative process of reviewing design, agreeing an indicative specification. Costs also include site costs, professional fees, finance, archaeology and all costs involved to let the property including void costs until the scheme is fully income producing.
- 1.1.11 In summary the commercial report (a confidential Annex to this OBC) demonstrates that the proposed scheme would be commercially viable, therefore demonstrating the commercial case.

Financial Case - spend is affordable

- 1.1.12 The financial case sets out whether the project is affordable to the Council, if the costs are realistic and the required funding will be available. It also sets out the impact on Council financial and budgeting systems and the financial returns from each of the considered delivery routes.
- 1.1.13 There are differing levels of financial benefit to the Council through the 4 delivery options are considered against a 'Do Nothing' baseline scenario, and the range of financial benefits are assessed against risk. The financial case can be summarised that while the options of a Joint Venture approach, WCC undertaking the development itself or the Income Strip approach¹ lead to substantially higher financial benefits to the Council than the fourth development option of selling the site with outline planning consent, the risks to the Council are significantly higher. The approach to risk is set out in section 6.2 in this document, and, consideration of these matters informs the conclusion for the recommended way forward within this OBC.

¹ The Council enters into an arrangement with a Fund purchasing 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.

Management Case – requirements are achievable

1.1.14 The project is being managed in accordance with the Council's major projects and programme management requirements and also in accordance with PRINCE2 methodology. The Management Case demonstrates that there are appropriate arrangements for the delivery, monitoring and evaluation of the scheme and these are achievable.

1.2 Recommendations

1.2.1 In parallel with the submission of an outline planning application, that the following options be explored through further soft market testing and review of procurement, legal and financial implications as part of the next stage.

- Sell with the benefit of planning permission
- Income strip

1.2.2 There are opportunities that can be explored within these options which may increase the realisable benefits resulting from the shortlisted delivery options, which will be considered alongside risks in particular for the income strip model which may have longer term cash flow risk. This will help establish the final preferred option for the delivery of the Carfax site.

Signed: Ian Charie
Date: 12 March 2019

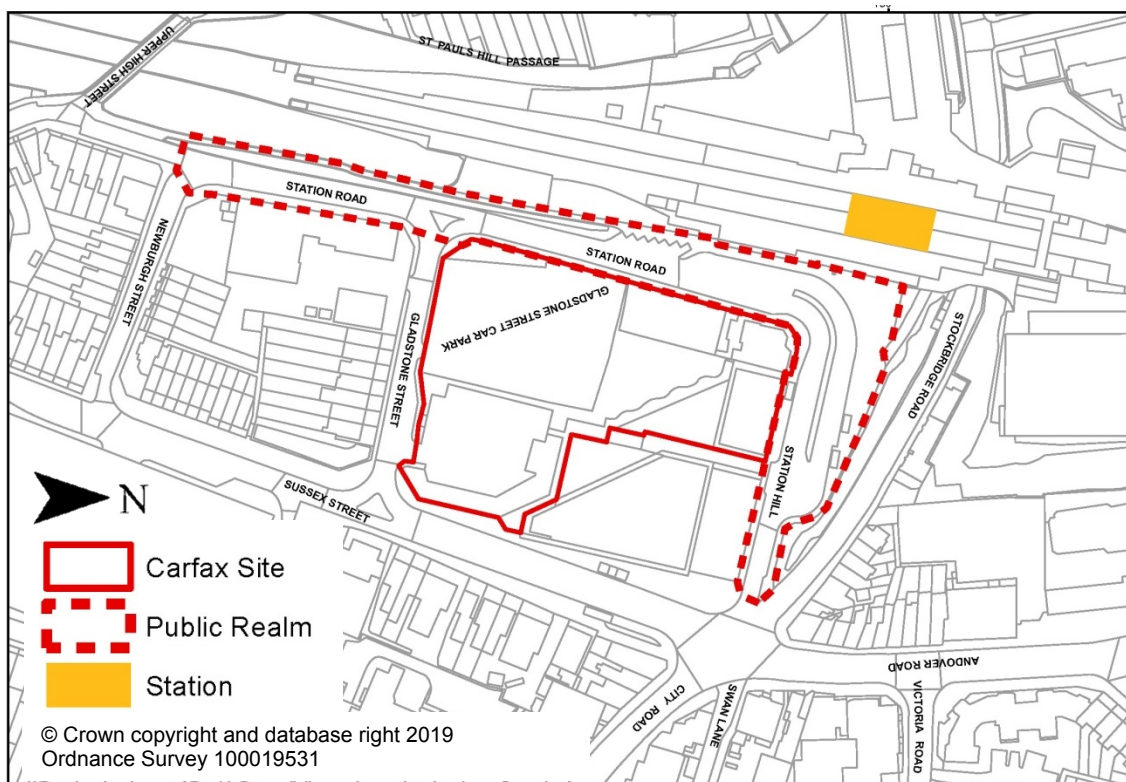
Ian Charie
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Project Team

2. Introduction

Project Area

- 2.1.1 Winchester district spans 250 square miles of central Hampshire. The City is the county town and the station a major commuting link between the south and London.
- 2.1.2 The Station Approach project area lies on the north western edge of the city centre, covering an area from Newburgh Street in the south to the Cattlemarket and Worthy Lane Car Park in the north. Within this wider area lies the Carfax project site on the eastern side of the railway line adjacent to the station. It is this site, owned by the City Council (including the former Registry Office building), which is the subject of this OBC. The initial Masterplan for the Cattlemarket site is not being taken forward at this time. The natural topography of the Carfax site forms part of the western River Itchen valley and slopes down from the west to the east. There are residential properties adjacent on Gladstone St (and beyond in Newburgh Street), across Sussex Street and commercial premises, with residential above, on Stockbridge Road.

Figure 1 Redline boundary of Carfax site and relationship with public realm proposals



- 2.1.3 The design team led by Lifschutz Davidson Sandilands (LDS) prepared a masterplan framework setting out the disposition of different uses across the Carfax and another site owned by the City Council, the Cattlemarket site, and a strategy for the wider public realm. The Masterplan Framework and Public Realm Strategy were both considered and approved at Cabinet (Station Approach) Committee on 27 February 2018 ([CAB3021\(SA\)](#)).

2.1.4 A key element of the Station Approach area is the Public Realm Strategy within the redline boundary of the site (a step free pedestrian route through the site). This has been incorporated into the concept design, RIBA stage 2 (RIBA plan of work stages are set out in Annex 6) for the Carfax development. Additional public realm proposals are being prepared for the area adjacent to the development site (as indicated in Figure 1) through a parallel work stream which supports the development of the Carfax site and would therefore be eligible for Enterprise M3 LEP funding.

Scope

2.1.5 This OBC relates to the proposed development of the Council owned area of the Carfax site, not the wider area of the public realm shown in 1. Proposals for the public realm outside the Carfax site have been subject to a separate business case application to Enterprise M3 LEP, these proposals are under consideration for funding, as they directly support the economic objectives of the Carfax development. This OBC is therefore only concerned with the development of the Carfax site to inform the consideration of the funding required to deliver the Carfax development, including the Registry Office building.

2.1.6 The Cattlemarket site is not being progressed further than the masterplan framework at this time, as set out in the brief agreed by Cabinet (CAB2864) 20 March 2017, and this is therefore not included in the OBC.

2.1.7 The Council does not include in the objectives specific development proposals for property that it does not own. It does anticipate that by bringing forward its own proposals it will encourage 3rd party owners to bring forward their own proposals for improving adjacent and nearby assets.

The proposal

2.1.8 The proposal is for the following development: An office-led mixed use redevelopment comprising of (net internal areas unless otherwise stated):

- Office: approx. 13,000 m² (approx. 140,000 ft²)
- Bar/restaurant: 835 m² (9,000 ft²)
- Retail: 465 m² (5,000 ft²)
- Café: 370 m² (4,000 ft²)
- Car parking: Up to 135 spaces
- Cycle Parking: min of 156 spaces
- Public realm improvements

2.1.9 These figures have been derived through the assessment and development of the project brief through RIBA Stages 0-2 (Strategic definition, preparation and brief, concept design) and iterative testing of the costs and viability of the design work to establish whether a scheme can be commercially viable. This is set out in the Commercial Case within this OBC. The concept design has been drawn up following the principles of the RIBA stage 1 (preparation and brief) Masterplan Framework for an office-led mixed use redevelopment. When the Council makes the decision to begin design work on the Cattlemarket then a separate brief will be prepared. This in turn will lead to a design process and associated business case being developed.

2.1.10 The development site is within the City Council's ownership, save for a small number of minor incursions into land owned by Hampshire County Council. Access will be from/onto adopted highway at Gladstone Street. Hampshire County Council and Winchester City Council are entering into 'rights of access' agreements under the Highways Act to allow the development to proceed with this design for the wider benefit of the area.

2.1.11 The land within the Council's ownership is used primarily for parking which generated £247,643 income in 2017-18 from the Gladstone Street public car park. There are 108 public car parking spaces and 115 privately used spaces, leased by the Council to the County Council and the Police. In addition, the WCC owned land includes the former station pub/Registry Office which is currently vacant.

Objectives of development

2.1.12 The main objective is the provision of high quality office, and ancillary/complimentary retail/café/restaurant space with car parking to strengthen Winchester's economy and enhance the local environment, in line with the Council Strategy (2018-20).

2.1.13 The Council's objectives reflected in the Council Strategy and the Local Plan identify the area around Winchester railway station as lending itself to development to provide a new area of commercial, office, residential and retail space to strengthen Winchester's economy and enhance the local environment.

2.1.14 The project has a clear purpose which is to ensure that Winchester remains a vibrant centre not just for retail, tourism and heritage but also of employment and service delivery. How this will be achieved is set out in the 5 cases of this Outline Business Case.

Structure and content of the OBC

2.1.15 This OBC has been prepared using the agreed standards and format for business cases, set out in the HM Treasury Five Case Model. The approved format comprises the following key components:

- **Strategic Case (Section 3 of this report):** This sets out the strategic context and the case for change, together with the supporting strategic objectives for the scheme
- **Economic Case (Section 4 of this report):** This demonstrates that WCC has selected the choice for investment which best meets the existing and future needs of the service. Demonstrates economic impact (benefits or costs) and optimises value for money (VFM)
- **Commercial Case (Section 5 of this report):** This case demonstrates that the preferred way forward will be deliverable, and will result in a viable procurement and development.
- **Financial Case (Section 6 of this report):** This confirms funding arrangements and affordability and explains any impact on the balance sheet of WCC
- **Management Case (Section 3 of this report):** This demonstrates that the scheme is achievable and can be delivered successfully to cost, time and quality.

3. The Strategic Case

3.1 Introduction

3.1.1 The Strategic Case demonstrates that there is a compelling case for change, in terms of existing and future strategic needs. The section below sets out the Council strategies supporting the project and the business need underpinning the project approach.

3.2 Background

3.2.1 The Station Approach project was initiated in 2015 with the purchase of the Carfax site from the County Council. The Council's aim for the project was to identify the potential options for a development in the Station Approach area in order to form part of the Council's vision for how it will develop the town's economy and make the best use of key sites for sustainable development.

3.2.2 The brief set for the project in 2017 targeted the provision of high quality office space based on the following key points set out in the Business Justification Case and Evidence of need (CAB2864 March 2017):

- There are no Grade A office spaces to let in Winchester as referenced in the Lambert Smith Hampton assessment in 2015.
- The Valuation Office data and the Regeneris Study for the LEP shows that current office space is being lost to residential conversions which if all current applications are implemented could lead to a loss of 11,000m² of office space in Winchester.
- Existing businesses in Winchester alone have current unmet requirements of over 5,000 m² of office floor space.
- Other businesses not currently in Winchester have expressed an interest in securing office space in Winchester. For commercial reasons this cannot be disclosed specifically but Charters agents in Winchester have identified that Winchester is a location where office space requirements totalling between 8,000 m² and 12,000 m² are currently being sought in the market. As a comparison, there is some 285,000 m² of office space in the district of Winchester, of which less than 20% is within the city (Propernomics, 2019).

3.2.3 The situation has not improved since the Business Justification Case was reported in terms of any significant new build Grade A office space in the city. The Vail Williams report (Vail Williams, 2019) confirms that 'there have been no new Grade A offices built in the city either on a speculative or pre-let basis'. Other reports (Propernomics, 2019) and work led by the Council in the market demonstrates that there remains serious interest for the proposed office space. The economic case underpins the original Business Justification Case and provides further information on the current economic situation.

3.3 Strategic Fit

Organisational overview

- 3.3.1 As a District Council, Winchester City Council delivers services on behalf of its residents, including planning, housing, and many other services. The Council works with the community to ensure the district is a place people will choose to live, work, study and visit in the future. The Council also co-ordinates private and public sector efforts to manage, develop, champion and promote the economy at every level.
- 3.3.2 The Council wants to ensure that sustainable improvement, ambitious innovation and an entrepreneurial approach to managing change are deliverable key objectives so the District's population continues to thrive. The outcome will be a place where everyone has opportunity and a high quality of life. The strategic approach that the Council is seeking to achieve is set out in its business, investment, and planning strategies.

Relevant Strategies

- 3.3.3 The development of Station Approach supports the delivery of the following strategies:
- A Strategic Economic Plan for the Enterprise M3 Area 2018-2030
 - Winchester City Council Strategy 2018-2020
 - Winchester City Council's Medium Term Financial Strategy
 - [Economic Strategy for the Winchester District 2010 – 2020](#)
 - Local Plan Parts 1 (2013) and [2 \(2017\)](#)

Regional Strategy: Enterprise M3 LEP Strategic Economic Plan

- 3.3.4 Enterprise M3 LEP commissioned Regeneris to examine the state of the commercial property market in its area, and this was updated in 2016. The LEP's Strategic Economic Plan (Enterprise M3) sets an ambition to enhance economic performance and compete with other high productivity regions around the world with an average growth ambition of 4% per year to 2030. The plan recognises the large groups of young (25-34), qualified residents in Winchester as a key to growth to be encouraged to settle and stay in the area.

Winchester City Council Strategy 2018-2020

- 3.3.5 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
- 3.3.6 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. The delivery of the project will be through partnership working to deliver employment and other regeneration opportunities

Medium Term Financial Strategy

- 3.3.7 The project underpins the entrepreneurial approach set out in the Council's Medium Term Financial Strategy, by providing an opportunity for a long term revenue income from the development dependent on the delivery route chosen.

[Economic Strategy for the Winchester District 2010 – 2020](#)

- 3.3.8 This document expresses the priorities and aspirations for economic prosperity across the district. The Carfax project will help meet the following economic goals beyond 2020, set out in the strategy to ensure that new development provides benefits for local people through the additional work proposed on the public realm.

- to ensure that Productivity Gross Value Added (GVA)² is at least equivalent to the regional figure by 2020.
- to reduce unemployment to 0.6% by 2020
- to increase the number of VAT registered business to 6,000
- to reduce carbon emissions to at least the regional figure by 2020.

- 3.3.9 The Economic Strategy for Winchester is currently being updated.

Planning Strategies

- Local Plan Parts 1 (2013) and [2 \(2017\)](#)
- Emerging Winchester Movement Strategy 2018

- 3.3.10 The Local Plan part 2 policies set out the planning framework for the district and allocate sites for new business growth/diversification to broaden the Town's economic base. The Station Approach project will help to meet the spatial strategy set out in the Local Plan (part 1) for Winchester Town to ensure the Town retains its desirability and prosperity by providing the development necessary to meet the needs of the whole community, ensuring that the local economy thrives on its strengths in higher education, creative and media industries, and other knowledge-based activities, and respecting the Town's special heritage and setting.

- 3.3.11 The following policies apply to the Station Approach project area:

- Policy WIN5 - Station Approach Area – Development Principles
- Policy WIN6 - The Carfax Mixed Use Site

- 3.3.12 The design proposals are in line with the emerging principles of the Winchester Movement Strategy (Hampshire County Council, Winchester City Council, 2018). This strategy states that the 'current proposals are supportive of the emerging Movement Strategy. The scheme proposes using Gladstone Street as the main

² GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. Productivity GVA can be measured in a number of ways. The first economic goal of this strategy is considered in terms of the contribution 'per person employed'.

car park entrance and seeks to restrict workplace parking numbers below the stated policy requirement. The development also presents opportunities to enhance pedestrian links between the station and City Centre’.

3.4 The case for change

National and Regional Context

- 3.4.1 The Enterprise M3 LEP 2016 Regeneris report states that recent growth in office base sectors has driven a strong increase in the demand for office space particularly in the north east of the LEP area, but that Winchester is challenged by the shortage of office space and sites in the town centre (Regeneris Consultancy, 2016).
- 3.4.2 The Regeneris report identifies a shortage of high quality Grade A office space and sites in Winchester town centre which is acting as a constraint on investment and which could be addressed through the provision of high quality office space in the Station Approach development which benefits to its adjacency to the station and close proximity to the town centre.

Local Context

- 3.4.3 The City of Winchester’s economy is dominated by the service sector and in 2017 the district was noted to have the most prosperous local economy in Hampshire. The town however only accounts for around a third of the GVA of the District, and is reported to be held back by its reliance on its large public sector. (Winchester Sub-Area Economic Profile July 2017 Economic Intelligence Business Service).
- 3.4.4 Across the district, micro and small enterprises make up the majority of businesses (economic profile of the Winchester district August 2017 DC research LTD). Of the circa 285,000 m² of office space in the district, less than 20% of this is located in Winchester City (Propernomics, 2019). The existing office stock is unsuitable for large and expanding businesses with currently no grade A accommodation available within Winchester town. Market indications are for strong demand for larger offices and in particular grade A offices with open plan floorplates to meet current requirements. There is a real concern that firms are giving strong consideration to leaving the city due to the complete lack of suitable office accommodation supply (Propernomics, 2019). This is reinforced through discussions with Hampshire Chamber of Commerce and the Business Improvement District agency.
- 3.4.5 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 wider range of employers and provides space and options for smaller enterprises, and also larger and expanding firms. This then also has the added benefit of freeing up additional smaller office space for other businesses including start ups and 1st step expansions to create a positive domino effect. It is estimated that between 10%-20% of the new floorspace will be occupied by expanding local businesses. This would equate to 1,646 m² Gross (or 3,292 m² Gross) for new business occupancy.

- 3.4.6 Office space has been lost in the town to residential use since permitted development rights were introduced in 2013 which was having a detrimental effect on the local economy (Regeneris Consultancy, 2016), until controlled through the recent introduction of an Article 4 direction to remove these rights in the city. Property market studies indicated that proliferation of residential development in previously commercial areas resulting from the exercising of permitted development rights in some places, including Winchester, was a concern and posed a threat to long term economic growth.
- 3.4.7 The employment profile of the city is led by qualified, professionals. In addition, the city has 2 universities which offers a large potential pool of talent which could be retained in the city if employment opportunities allowed. The objective of providing Grade A office space is to give professional and supporting service employers high value employment opportunities to meet aspirations of local residents and education standards within the local workforce. This development could provide over 1,000 jobs when fully let as well as jobs during construction and additional roles in the local economy (detailed in the Economic Case chapter).
- 3.4.8 The [employment studies](#) undertaken to support the Local Plan policies recognise the prime opportunity of the Carfax site and recommends that a significant mixed use development is suitable for the site and should focus on Grade A office development. There is clear demand for the delivery of Grade A office space from existing occupiers and will enable those second tier occupiers opportunities to expand within the city helping to grow the image of the city as a destination of choice for high value businesses.

Socio-Economic Context

- 3.4.9 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. This also helps to meet the Council's own green agenda set out in the Council Strategy to improve the environment and reduce harmful emissions through holistic transport planning and will contribute towards the aims to develop a sustainable city.
- 3.4.10 The site is within a highly sustainable location with good public transport links. It is located adjacent to a main line railway station where on average, 12 trains per hour travel directly from and into Winchester. 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 locations by reducing the need for car travel. This has been considered through the design process and approaches to minimise environmental impacts have been incorporated. Car parking provision has been reduced, and cycle facilities have been provided to reduce trips made to this sustainable location. Sustainable travel methods such as commuting to work by bus, rail, cycling and walking to work trips will further be promoted through the project.
- 3.4.11 This 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. 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.

3.5 Strategic Objectives and benefits of the project

3.5.1 This project brief set the wider development aims for the Station Approach project, but the key strategic objectives for the project were agreed through the Business Justification Case. These are set out below:

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

3.5.2 The agreed project Business Justification Case also sets out the key design objectives (set out below) which, although are not assessed through the OBC, are important for ensuring the architectural quality of the project and are identified as a Critical Success Factors (see section 4.2) essential for successful delivery of the project.

- ensure the area around the Station enhances the economic vitality of the city, offering improved employment opportunities;
- create a high quality and welcoming arrival point and improve way-finding and legibility so that people find their way to the city centre and other key destinations;
- create an area that serves a variety of people and builds on and adds to the existing commercial and cultural life in the city;
- improve the aesthetic and environmental impact of the area, including the retention of important trees and new planting;
- safeguard and enhance views and the character of the area; and
- repair the urban fabric and create a cohesive high quality townscape, and public realm.

3.5.3 As part of the process of developing through RIBA Stage 0-2 (Strategic definition, preparation and brief, concept design) and the development of the business case, the strategic objectives have been reviewed for the purposes of the OBC and remain valid for the Outline Business Case. These objectives and the associated benefits listed in Table 1 are specific, measurable, achievable, relevant and time-based and cover the four main categories: financial but non-cash releasing; cash releasing; quantitative and qualitative benefits.

3.5.4 The monitoring strategy for these benefits is set out in the Management Case in section 7 and timescales for monitoring for each of the objectives will be in year 1 following completion and handover of the project and after years 3 and 5.

Table 1 Strategic objectives and main benefits

Strategic objectives		Main benefits
1	Achieve greater economic performance from land uses	<ul style="list-style-type: none"> • Meet Council Strategy Objective to make the District a premier business location through the provision of high quality offices in a sustainable location. • Economic Development Uplift. • Ability to retain and attract businesses to Winchester by supplying high quality office space which will provide new employment opportunities and wider economic benefits to other local businesses and organisations. • Offer high value employment opportunities locally: <ul style="list-style-type: none"> • Reduce the levels of ‘in and out’ commuting. • Reduce levels of traffic congestion. • Add income to other city businesses.
2	Maintain or improve the City Council assets	<ul style="list-style-type: none"> • Financial Benefits • Net uplift to Council through business rates and additional income to the Council.
3	Improve the aesthetic and environmental impact of the area	<ul style="list-style-type: none"> • Improved and more aesthetically pleasing public realm area and walking and cycle routes for residents, commuters and visitors to Winchester.

3.6 Scope and key service requirements

3.6.1 The brief for the Carfax site has been developed iteratively through RIBA Stage 0-2 (Strategic definition, preparation and brief, concept design) to the following development requirements:

- Provision of around 13,000 m² (140,000 ft²) of Grade A high quality office space, set within an enhanced public realm next to the station to include a diagonal walkway through the site to link pedestrians between Sussex Street and the Station.
- Alongside the provision of offices, a supporting mix of bar/restaurant, café and small retail uses (local convenience store) with the aim of making the area a destination of choice for the business community, visitors and residents alike.
- Provision of up to 135 car parking spaces in a single level basement below the development.
- Access to and from the site agreed with Hampshire County Council as the Highway Authority –located off Gladstone Street.

3.6.2 The key service requirements to deliver the project include the procurement of a construction contractor to develop the site, which may be through a developer if the site is sold, along with the necessary professional advisors to the Council including legal and property advisors on the delivery route and the contract.

3.6.3 In addition, again dependant on the option progressed, due to the archaeological interest on the site, there will need to be an additional procurement for an archaeology contractor to undertake excavation, analysis and publication work, as well as the procurement of a consultant to advise on the main contract requirements.

3.6.4 A letting campaign to attract and secure occupiers will also be required.

3.7 Main risks

3.7.1 The project is being managed in accordance with a defined project management approach and the detailed risk register, which will be continually updated throughout the project.

3.7.2 The main business and service risks are summarised below and in the conclusions in section 8, and detailed, together with their counter measures in Annex 4: Risk Register for Key Risks.

3.7.3 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.

3.7.4 There is also a risk around the governance gateways for the project, which if not approved or decisions delayed, will have an impact on the programme and costs incurred by the Council.

3.7.5 On the other hand, there is a key risk in accelerating the project programme which is highlighted below, in that contingency is removed from the process, sequential elements of the project become overlapped and decisions need to be made at higher levels of risk.

3.7.6 A potential grant from the LEP the main risk is around the governance processes for the third party landowners. The risk here is that the governance processes delay the process and the requirements for the spend under the potential LEP bid cannot be met as a result and the grant is unable to be used.

3.7.7 Mitigation for each of these main risks is set out in Annex 4.

3.8 Constraints

3.8.1 Constraints are externally imposed and require management. The project is subject to the following constraints:

- External funding for the public realm provision is controlled by a third party (Enterprise M3 LEP). This could constrain the delivery of wider public realm improvements important to the design and to the marketplace and will be managed through the LEP bid process and through ongoing work with the LEP.

- Wider public realm improvements are on third party land, which could constrain the delivery of the wider benefits through governance delays or differing corporate objectives. The importance of this aspect of the project is set out above. This is being managed through close working with Hampshire County Council (a 3rd party land owner) and Network Rail and South Western Railway to design the proposals for the public realm improvements.
- Archaeology – there is known archaeological interest beneath the site which could constrain development through the cost of any mitigation or excavation and analysis work required. The archaeology is being managed through site assessments and expertise in house and through consultants. It has been subject of a Written Scheme of Investigation³. The cost and risk of dealing with these issues is likely to be high and is being accounted for in the financial appraisal work.
- Infrastructure – utility capacity may cause a financial constraint through the cost of potential works (particularly the electricity supply). This is being managed through work with utility suppliers and potential costs are being accounted for in the financial appraisal work although at this stage these can't be definitive.
- Public ownership and expectations – has an impact on how quickly sites can be brought forward due to the political, governance and public engagement requirements for the project (as the project is being run by the council as opposed to being led by a private company). There is concern that if things move too slowly the opportunity to develop will be missed and current letting interests may be lost to other locations. Markets may deteriorate by the time space becomes available to let. In addition, there may be some expectation that the Carfax development will enable more schemes identified within the Public Realm Strategy to be delivered than what is reasonable, directly related to the development, or viable. This is being managed through the communications management plan.

3.9 Dependencies

3.9.1 Dependencies are actions or developments outside the scope of the project on which the success of the project depends (HM Treasury, 2018). The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

Inter-dependencies between other programmes and projects

Public Realm Project

3.9.2 The public realm project is closely dependent on the delivery of the Carfax project as the potential funding from the Enterprise M3 LEP of £5m will only be granted if it demonstrates it is required to support the provision of new employment opportunities in the area through the Carfax development. This

³ [Archaeology Written Scheme of Investigation 2016 Cotswold Archaeology](#)

funding will need to be spent by March 2021. There will need to be coordination between the programmes for these two projects to ensure site works are timed appropriately and construction works do not impede works on the other project.

Winchester Movement Strategy

- 3.9.3 The Carfax and associated public realm improvements are set within the current transport system, but are closely aligned to the principles set out within the emerging movement strategy and do not impeded any future proposals which may be bought forward. The success of the public realm works will be enhanced by improvements brought forward through the movement strategy and although the project itself is not dependent on the movement strategy, wider benefits of the development would be enhanced through future works.

External dependencies outside the project environment

Governance and political environment

- 3.9.4 Governance is a significant influence on how the project is taken forward. This includes impacts of political changes and requirements of the local authority in delivering the project as opposed to a private company.

Brexit decision and – uncertainty, costs, impact on occupational investment markets, and viability

- 3.9.5 Construction costs may be affected by changing inflation and index rates positively or negatively. This may be caused by political decisions around Brexit, or design changes. Impacts of cost changes will affect the viability of the development and therefore need to be carefully managed as this is a significant dependency to the success of the project. This will happen through iterative costings of emerging designs at key design stages, plus involvement of the finance team in the project to help pick up and significant changes to indexing/inflation.

Archaeology works required

- 3.9.6 As set out in the constraints, there is known archaeology on site which will require specific works, analysis and publication dependent on the design and which may affect engineering solutions and the cost, timing and viability of development.

Closure of car parks on the site

- 3.9.7 The delivery of the project depends on the closure of the existing car parks on the site and the lead-in time for giving notice of these closures. Timing of these closures will affect the project programme and removes the income from these car parks affecting other areas of the Council's finance.

4. The Economic Case

4.1 Introduction

4.1.1 The purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects (HM Treasury, 2018). It identifies the range of delivery options to be appraised, in terms of how well they meet the spending objectives and critical success factors for the scheme. This section therefore provides an overview of the main costs and benefits associated with each of the shortlisted delivery options. An in-depth review of the different delivery options assessed against risk is given in Section 6 – Financial Case.

Wider Economic Context

4.1.2 To set Winchester’s economic position into a wider context, Grant Thornton undertook analysis of Winchester’s economic performance against national and regional comparators; this is summarised in Table 22 below.

Table 2 Summary of economic performance

	Indicator	Key points from GT analysis
Productivity	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 th of 11 areas in Hampshire.
Key Industries	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"> • Retail • Financial & Insurance • Professional, scientific & technical • Knowledge 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"> • Knowledge • Information & Communication • Financial and Insurance • Professional, scientific & technical • Health
Business Demography	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.
Office Floorspace	Average rateable value and total	Rateable floorspace in Winchester is relatively high compared to rest of England.

	rateable value	(but note that currently there is no recent Grade A office space in Winchester)
Catchment areas	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.
Skills	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).

4.1.3 From this summary there is an indication that:

- Although Winchester ranks well nationally, compared to other Hampshire Districts, GVA /job performs less well (ranks 7th of 11 areas in Hampshire) and there is potential for improvement in this area, demonstrating the benefit of Grade A office space in Winchester.
- 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.
- 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.

Economic profiling

4.1.4 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.

4.1.5 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 indication is that there is a strong demand for larger offices and in particular grade A offices. Providing larger, high quality office space to meet demand will help to create a more sustainable balanced local economy with a range of employers and space available to cater for smaller enterprises and larger and expanding firms.

- 4.1.6 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.
- 4.1.7 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. It is documented that 42,000 people commute from out of the district into Winchester and ca. 23,640 commute out of Winchester on a typical working day (ONS data provided in (Propernomics, 2019)). The development of the Carfax site could help reduce the high level of out-commuting for the City and capture more economic value from '...staff that currently by-pass Winchester on the train (Propernomics, 2019)'.
- 4.1.8 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.

4.2 Critical success factors

- 4.2.1 The critical success factors (CSFs) are the attributes essential for successful delivery of the project, against which the initial assessment of the options for the delivery of the project will be appraised, alongside the spending objectives (HM Treasury, 2018). The following factors are considered critical to ensuring a successful project:
- Quality of space being designed and its suitability to occupiers
 - Quality of design and choice of material
 - Alignment of design with occupiers' needs
 - Pre-let agreements of office space prior to practical completion
 - Achieving target rents
- 4.2.2 Market testing has reinforced the importance of quality of a design that is flexible for different users, for the success of the project (Propernomics, 2019). Getting

the quality of the development right which reflects the needs of potential occupiers, and the associated public realm works is therefore considered critical to the success of the project in securing the pre-lets and the anticipated rental income to realise the direct benefits of the project.

- 4.2.3 Prelet agreements are critical to the valuation of the project which assumes that ‘...the convenience store and the pub/restaurant have been prelet along with 11,150 m² 120,000ft² of the offices prior to the start of construction and that the developer will let the remainder prior to PC (practical completion)’. Pre-lets will help de-risk elements of the project by securing income by completion, thereby reducing potential void periods. It also allows occupiers to be provided with customised layouts to be incorporated into the design pre-construction, and therefore will help ensure design is aligned with occupier’s needs. However, there is a key risk for the project that if pre-lets cannot be secured there would result in an impact on the Council’s cashflow through lost rent, lost business rates, and dependent on the delivery route, void service charge periods.

4.3 The long-listed delivery options

- 4.3.1 To deliver the project a number of options have been explored. This includes a ‘do nothing’ scenario which sets the baseline. Development options have evolved through the local plan site allocation process which allocated the site for an office led mixed use development to meet an identified need. As part of this process, the site allocation was considered by an independent planning inspector through examination and was adopted in 2017. The options for development are therefore focused on the delivery of the local plan site allocation, and enforced by the Strategic Case.
- 4.3.2 The longlist of options therefore includes two development scenarios, a ‘do nothing’ option, and the implementation of the local plan policy i.e. develop the site. There are a number of options available for the Council to consider how to deliver the development of the site, options B-E below.

A	Do nothing - No development/ improvement takes place in the area. Council retains car parking income.	
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.	Council Develop
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

4.4 Short-listed options

4.4.1 Grant Thornton was engaged as an external consultant to the Council to appraise the economic benefits of the Station Approach Carfax development. The modelling has been done in accordance with the Treasury's Green Book methodology. Using their place analytics platform, Grant Thornton estimated the key socio-economic impacts of the Carfax site development drawing information from a broad range of national statistics.

4.5 Gross Value Added

4.5.1 The method used for the economic assessment is set out in the Grant Thornton report (Grant Thornton, 2018). From those benefits that can be monetised, Table 33 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.

4.5.2 Direct annual jobs and GVA benefits have been derived by Grant Thornton using assumptions on employment densities set out by the Homes and Communities Agency (HCA). The number of direct jobs that will be generated by the Carfax site development have been estimated and employment density ratios have been applied to the net internal area in accordance with HCA guidelines.

Table 3 Summary of Estimated Benefits: GVA and jobs

	Estimated Direct Annual FTE jobs created	Estimated Indirect Annual FTE jobs created (through supply chains)	Total
Gross figures (Total jobs created, midpoint of the range)			
Total number of jobs created ⁴	961 (range - 778-1258)	396 (range 321-518)	1,357
Total GVA as a result of the jobs created ⁵	£56m (range £46m-£74m)	£25m (range £20m-£33m)	£81m
Net figures using medium estimate (50% less than gross impacts, i.e. new rather than displaced jobs)			
Net additional jobs	481	198	679
Net additional GVA	£28m	£12m	£40m

4.5.3 Wider economic benefits (such as salary uplift; construction employment and GVA benefit; and social impact) have also been considered.

⁴ Direct jobs estimated using employment density assumptions set by Homes and Communities Agency. Indirect jobs estimated using ONS employment multipliers for relevant industries.

⁵ 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

Table 4 GVA detail for medium range

	Office	Retail	Total
Direct	£55.5M	£0.88M	£56.4m
Indirect	£24.6M	0.44M	£25M
Total	£80.1M	£1.3M	£81.4M

Grant Thornton – Draft Economic Appraisal – 08 October 2018. These figures use ONS employment multiplier and GVA multipliers

Indirect benefits

4.5.4 Indirect annual jobs and GVA benefits have been estimated using ONS employment and GVA multipliers for the relevant office and retail industries, providing secondary indirect benefits with uplifted spend in the city.

4.5.5 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 and to reduce out-commuting, and contributing to a better work-life balance for Winchester residents.
- Regeneration catalyst delivering wider economic benefits by public/private sector investment in the area coupled with increased footfall in area and subsequent demand for supporting services (such as leisure/support facilities, food and beverage and other retail, and increasing investment confidence in private sectors through public sector investment.

Table 5 Summary of direct construction jobs - Draft Economic Appraisal, Grant Thornton, October 2018

	Construction period (Years)	Employment labour coefficient⁶	Job Years⁷	Direct annual FTE⁸
Offices/Retail above ground	1.5	16.6	596.6	397.7
Car parking	1	16.6	150.4	150.4
Registry building retail	1.5	16.6	10.1	6.8
Other	2.5	16.6	209.7	83.9
Total			966.8	638.8

4.5.6 Based on construction costs for the development it is estimated that there may be 975.6 direct 'job years' over the lifetime of this development, or the equivalent of 644.6 direct annual FTE over a 12 month period. This is based on the assumption that there are 16.6 construction jobs for every £1m spend on construction in accordance with Homes & Communities Agency Guidance.

Net Present Value

4.5.7 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) have been estimated making allowances for what would have happened in the absence of the scheme.

4.5.8 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 £100m.

Table 6 Benefit Cost Ratio

Taken from Grant Thornton's Draft Economic Appraisal, October 2018

Range	Additionality assumption	Present value costs (£)	Present value benefits (£)	Total net present value (£)
High estimate	37% less than gross impacts	64,627,163	799,296,404	734,669,241
Medium estimate	50% less than gross impacts	64,627,163	634,362,226	569,735,062
Low estimate	75% less than gross impacts	64,627,163	199,824,101	135,196,938

4.5.9 The appraisal provides a cost benefit analysis that quantifies, in monetary terms, as many of the costs and benefits for the development as possible. This has generated a profile of costs and benefits (in base year price) which have been

⁶ HCA (Construction employment labour coefficient)

⁷ Calculation (construction costs * Construction skills infrastructure multiplier)

⁸ Calculation (jobs year/ construction period)

discounted and netted off against each other to provide a figure for the net present value. Construction cost assumptions have been provided by cost consultants working with the City Council (MACE, 2019); while anticipated direct and indirect benefits have been estimated based on the use of nationally recognised and approved multipliers.

4.5.10 The shortlisted options therefore discount the 'do nothing' scenario for the following reasons:

- Does not meet strategic objectives of project
- Non-monetary benefits – no improvements to wider public realm delivered
- Monetary benefits – less revenue and/or return on original investment than if change use from car park to office led mixed-use; no wider economic benefits (highlighted earlier in the economic case); no central impetus to kick start regeneration of wider area.
- Planning considerations - Underutilisation of a prime site in a highly sustainable location

4.5.11 The following options remain on the shortlist, although the 'do nothing' scenario will remain as a baseline for comparison.

Table 7 Shortlisted Options

Delivery Options		Summary
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.	Develop it all ourselves
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

4.6 SWOT analysis of options

Table 8 SWOT analysis of the shortlisted options undertaken for the project options

Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip/Annuity funding
Strengths			
<ul style="list-style-type: none"> • Minimal cost to WCC and less demands on officer time • No procurement issues if a pure land sale (a sale with conditions will need to consider procurement issues) • Reduced adverse political risk (after sale) • Lowest risk of all four options 	<ul style="list-style-type: none"> • WCC shares the risk of the scheme with another party 	<ul style="list-style-type: none"> • Generates high reward for the council • WCC keep ultimate control of what is built • WCC see a high revenue surplus to go towards bridging the reduced pot in council finances • WCC in control • Option to forsake a commercial return in lieu of enhancing the design 	<ul style="list-style-type: none"> • Sale and leaseback approach. • WCC not liable for construction costs. • WCC does not need to be involved with a potentially complicated construction project. • Ownership of the site reverts to WCC at the end of the income strip period'
Weaknesses			
<ul style="list-style-type: none"> • WCC only receive a small one off capital receipt with potential for overage & car park income 	<ul style="list-style-type: none"> • No guarantee of finding a suitable partner prepared to JV with WCC • Length of time/complex negotiations to set up a JV (with all legal, governance, financial issues settled) • The upfront cost of setting up the JV. • The JV partner may want to reduce quality of the scheme to achieve a viable scheme. • JV partner may want to 	<ul style="list-style-type: none"> • WCC takes all the financial risks e.g. Construction, programme delays, changes in letting environment, exposed to reductions in value • WCC has to procure all elements of the development. • Liable for all void costs. • Capacity of WCC to deliver this with other projects across the district 	<ul style="list-style-type: none"> • WCC passes ownership of the site to a funder/developer for a fixed period • No control over the amount of surplus income generated • WCC takes the letting risk whilst guaranteeing to pay an agreed rent regardless of whether there is any income. • Could be seen as a poor

Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip/Annuity funding
	<p>simplify the design to reduce construction cost and complexity which may create potential friction between the JV partners which might be unresolvable.</p> <ul style="list-style-type: none"> • If WCC the minority partner it will need to accept it will not have the controlling interest 		<p>risk versus reward approach for a local authority.</p> <ul style="list-style-type: none"> • Inflation risk is the council's
Opportunities			
<ul style="list-style-type: none"> • Potential to obtain a quick, if small capital receipt • WCC receives share of business rates sooner 	<ul style="list-style-type: none"> • WCC sees the site developed without taking all the risk but will receive proportionate benefit. • Commercial skills and opportunities benefits to WCC 	<ul style="list-style-type: none"> • Strong political message saying WCC can deliver significant regeneration schemes. • Fits with council's strategy of delivering additional employment opportunities • Demonstrates Council's commitment to the economic prosperity of the city. 	<ul style="list-style-type: none"> • Potentially the site will be developed faster than a JV model.
Threats			
<ul style="list-style-type: none"> • Smallest reward for the Council • WCC lose a large element of control with only the planning system and potentially restrictive covenants contained in any sale agreement or transfer • Opportunity to achieve long term income stream depends on WCC potentially buying back 	<ul style="list-style-type: none"> • The JV partner could go into administration part way through the project. Depending on the JV arrangement, an administrator may sell their interest to a 3rd party or exercise pre-emption. • WCC is unable to fulfil its obligations as JV partner. • The form of JV structure may 	<ul style="list-style-type: none"> • Negative changes in the occupancy market. • Relies on WCC being able to pre-let ideally all but if not a significant proportion in an uncertain point in the property cycle. Experience demonstrates that it is often during construction, rather than before construction, that 	<ul style="list-style-type: none"> • A negative income stream at some point in the life of the agreement • WCC sign a long term lease commitment with index linked rent increases with a pension fund. • WCC have to pay agreed rent regardless of whether there is any income from

Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip/Annuity funding
<p>the development</p> <ul style="list-style-type: none"> • Longstop conditions would be needed in the land sale to avoid the situation of the site not being developed • Market conditions may deteriorate and render development unviable 	<p>diminish the Gross development Value</p>	<p>pre-lets occur</p> <ul style="list-style-type: none"> • Holding costs in an extended void period • Puts greatest pressure on officers • Puts greatest reputational risk on politicians • Option of greatest risk to the council, particularly from public perception of previous poor record of WCC delivering schemes 	<p>the scheme or not.</p> <ul style="list-style-type: none"> • WCC sign a long term commitment at a time which may appear to be a peak in the property cycle. • Potential to generate no revenue surplus • Potential to cost the council significant money and put the council in a worse financial position than it is currently.

4.7 Benefits appraisal by option

4.7.1 The main benefits and constraints for each of the options have been assessed and summarised in the table below which looks at NPV, Control, Programme, Planning, costs and cashflow.

Table 9 Benefits appraisal by option

	Do nothing	Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip
GT Financial Appraisal NPV taking account of post-risk and optimism bias	£5,385,000	£1,728,000	£35,344,000	£34,925,000	£39,805,000

	Do nothing	Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip
WCC Control over development	n/a	Least amount of control but ultimately controlled by long stop date/ sale with conditions.	Element of control but depends whether WCC are majority shareholder. WCC have some control but may be unable to agree everything with their JV partner which could see tensions between the parties. Extent of control will be proportional to relative size(%) stake.	Maximum control	As Council only sign a lease WCC does not have full control dependent on the agreement to lease.
Programme Implications	n/a	No programme for WCC if sell the site but WCC cannot control how quickly the new owner progresses the site.	Likely to take up to 18 months to establish suitable JV and procure a partner, which would need to be followed by a procurement of a development partner by the JV which will delay development start	WCC have full control of programme and timescale	WCC hand over control of programme to third party with limited control over delivery time. Any agreement would control long stop dates.
Implications for Planning process	n/a	No implications for WCC – except as Local Planning Authority	WCC as part landowner, as well as Local Planning Authority	Makes it harder for WCC as landowner to go through Planning process	No implications if Investment fund/developer secure Planning
Cash flow implications	Income from car park	One off capital receipt and possible part retention of business rates	Share of any future cash flow with JV partner. Need to consider how partner	Maximum potential cash flow and revenue surplus to help fund council	Initial positive cash flow but in future years this could be wiped out and go negative as

	Do nothing	Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip
			exits their interest.	shortfall	pay away could exceed income due to WCC being locked into long lease with fixed uplifts
Best Case outcome	No change, car park income continues with little maintenance expenditure.	WCC sells site with clauses to achieve quality in scheme, scheme gets built out, city economy prospers and WCC receive share of business rates plus overage & w/e car park income.	JV partner is secured quickly, scheme is built out with 100% occupancy, both parties share ongoing income	WCC secure 100% pre-lets, scheme gets built out, city economy prospers, WCC receive a net revenue surplus of £1m pa towards its funding shortfall	WCC sign 40 yr lease, WCC sign 100% pre-lets, total income greatly exceeds pay away to pension fund for entire duration of lease and WCC buy site back for £1 in 40 years time
Worst Case outcome	Car park maintenance expenditure increases, little economic benefit to wider area	WCC sell site, potential reduced scheme quality, attempt by developer to introduce residential element with a much reduced office element thus a reduced economic benefit to the city (dependent on condition of sale). This would likely however result in a larger capital receipt.	JV partner cannot be found; takes 18 months to secure, in the meantime property market weakens. JV partner goes into administration leaving WCC to either find a new JV partner or their interest is sold to a 3 rd party or WCC needs to commit to fund the completion of the project itself.	WCC pre-lets 50%, scheme gets built out, property market weakens due to property cycle, remaining space gets let but at reduced rent, showing negative return on cost. Construction costs escalate during construction.	WCC sign 40 year lease, WCC sign 50% pre-lets, initial income exceeds pay away but over time due to weaker market pay away exceeds income meaning WCC are still committed to pay a fixed rent to a Fund regardless of the level of income with serious financial implications for the council. Fund has limited long

	Do nothing	Sell with Outline Planning Permission	Joint Venture	WCC Develops Site	Income Strip
					term motivation to make future investment in the property to reflect changes in trends / market requirements as their income is secured.

4.8 Risk appraisal

- 4.8.1 The options appraisal looks at the costs and benefits of each of the options. Alongside this, it is imperative to consider the risks of each option to moderate the appraisal and provide the basis for a decision on the preferred way forward.
- 4.8.2 Risks specific for each option are provided in Table 10 below. This table has been developed using the Councils risk process to estimate impact and likelihood scores. The methodology for this is provided in Annex 4: Risk Register for Key Risks, alongside the key risks for delivering the project which apply across the options. Table 10 sets out those key risks that differ between the options and are therefore useful for a comparative analysis.

Table 10 Risk Appraisal

A: Do nothing	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Strategic Case - Risk of not delivering strategic objectives				
Alternative opportunities are not found, nor brought forward by other parties, and the Council's objective to make the District a premier business location is not met.	Council loses control over design of development (retains Local Planning Authority control). Ultimate scheme doesn't fully deliver on the strategic objective to improve the aesthetic and environmental impact of the area. Less risk around providing a development which will achieve greater economic performance from land uses.	Risk that doesn't fully deliver on the strategic objectives as asset becomes shared and strategic objectives will also need to tie in with strategic objectives of partner organisation.	Risk that a Council led process takes longer due to governance requirements, which may not then fully deliver the strategic objective to improve the aesthetic and environmental impact of the area if not tied in with other funding opportunities.	Risk that doesn't fully deliver on the strategic objectives as asset becomes owned by partner organisation for length of lease and strategic objectives will need to tie in with strategic objectives of partner organisation. Risk at some point over the letting period of potentially negative income which does not meet strategic objective to maintain or improve the Council's assets.
Impact: 4 Likelihood: 4	Impact: 2 Likelihood: 2	Impact: 3 Likelihood: 3	Impact: 3 Likelihood: 2	Impact: 3 Likelihood: 3

A: Do nothing	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Economic Case – Risk of not realising economic benefits and ensuring value for money				
Winchester loses out in wider economic picture.	Risk of not all economic benefits being delivered as Council lose direct control of the site and other development mixes may be more profitable.	Risk of not all economic benefits being delivered as Council lose direct control of the site (shared through partnership) and other development mixes may be more profitable.	Risk of not delivering economic benefits is lower than other options as the Council control the asset and the development.	Risk of not delivering economic benefits is lower than other options as the Council control the asset and the development through leaseback agreement.
Impact: 4 Likelihood: 4	Impact: 2 Likelihood: 2	Impact: 2 Likelihood: 2	Impact: 2 Likelihood: 1	Impact: 2 Likelihood: 1
Financial Case – risks affecting affordability (timing, capital/revenue and financing models)				
Potential lost opportunity to generate additional income (above the existing car parking revenue) from this Council owned site in order to support the medium term financial strategy.	Risk of loss on the sale of the Council’s asset (i.e. the proceeds are less than the value that the Council has invested in the site) (to be balanced against regenerative benefits gained). Immediate loss of parking revenue from the site.	<u>Timing:</u> Up-front financial costs to establish JV. Delay in commencement of development due to the time required to establish JV gives rise to uncertainty in the market e.g. regarding future interest rates causing an affordability risk in the agreed development. <u>Budgetary:</u> Once the JV is established, development risks will be shared pro rata. If the JV fails and the project does not result in	<u>Timing:</u> Up-front cost and time delay to directly procuring contractors. Upfront requirement for the Council to borrow to finance all of the development costs. <u>Budgetary:</u> Development risk is solely with the Council (e.g. project overspend or abortive costs if development is not completed). Once development is complete there is a long term risk of voids and lower than expected rental income should there be periods	Long term inflation risk / market risk that the index-linked rate payable by the Council will be greater than the rental income it is able to generate from sub-letting the assets. This delivery method locks-in the Council so it cannot change the use of the development until the end of the lease when the assets transfers ownership to it.

A: Do nothing	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
		<p>a development, the Council becomes liable for all costs incurred. Once the Council buys back the properties upon development completion, there is a long term risk of voids and lower than expected rental income should there be periods where tenants are not occupying the properties or should the market for properties of this nature change over time.</p>	<p>where tenants are not occupying the properties or should the market for properties of this nature change over time.</p>	
Impact: 4 Likelihood: 2	Impact: 1 Likelihood: 3	Impact: 4 Likelihood: 3	Impact: 4 Likelihood: 3	Impact: 4 Likelihood: 3
Commercial Case – risk of approach not being attractive in the market				
None identified – no market for option	Change in commercial market which makes the proposal less attractive to developers. Site is not considered commercially viable and site cannot be sold with current proposal.	Procurement strategy required does not attract suitable partner organisation. Change in commercial market which makes the proposal less attractive to partner organisations.	Risk that cannot procure contractor. Adverse changes in letting and Investment markets	Change in commercial market which makes the proposal less attractive to investors.
Impact: 4 Likelihood: 2	Impact: 4 Likelihood: 1	Impact: 3 Likelihood: 2	Impact: 3 Likelihood: 2	Impact: 3 Likelihood: 2
Management Case – risk of not being able to achieve the requirements for each option				
Costs of management of site rise as site needs to	Lack of resources in short term to agree legal	Lengthy procurement process runs risk of	Resources not available to secure necessary	Lengthy procurement process runs risk of

A: Do nothing	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
be maintained and regulated.	conditions for sale of site, and ongoing resources to manage implementation of any conditions.	prospective occupiers losing interest in leasing the site. Third party timescales may not meet occupier demand. Procurement strategy required does not attract suitable partner organisation.	procurements in a timely manner. Statutory body and stakeholder approval requirements delay programme. Council will need to act as local planning authority for their own application – places strain on resources.	prospective occupiers losing interest in leasing the site. Third party timescales may not meet occupier demand. Procurement strategy required does not attract suitable partner organisation.
Impact: 1 Likelihood: 4	Impact: 2 Likelihood: 2	Impact: 3 Likelihood: 3	Impact: 3 Likelihood: 3	Impact: 3 Likelihood: 3

5. The Commercial Case

5.1 Introduction

5.1.1 This section of the OBC outlines the commercial viability of the scheme and considers if the proposal is commercially feasible and deliverable, along with how the required services will be procured and identifies the key contractual issues. The information used in the valuation analysis uses current commercial data to assess viability.

5.2 Required services, land and buildings

5.2.1 For the delivery of the development, the following additional key services will be required, with continuing design and associated services, all dependent on the delivery route chosen:

- Legal and Procurement Advice
- Archaeology consultant
- Archaeology contractor
- Construction consultant
- Construction partner/Joint Venture Partner/Financial Partner/Purchaser

5.2.2 Other tasks will be:

- Obtaining full planning consent
- Land agreements with Hampshire County Council for undersail of County owned/regulated land for the basement car park and oversail of highway land and Archive Office A/C Plant
- Closure of public and private car parks on the site
- Others as necessary

5.2.3 For the long term use of the site, the following tenancies are anticipated:

- Office occupiers for grade A office use (the final configuration of space and the number of occupiers will be dependent on the market upon commencement of a letting campaign (including potential public or customer interfacing areas. The office accommodation will be designed with this flexibility in mind)
- Café use
- Bar/restaurant use
- Local convenience store use
- Potential Gym (private or within office)

5.2.4 The only delivery option which will require no ongoing council involvement is the sale of the site. Regardless of which of the remaining options is chosen, namely income strip, WCC develop or joint venture all will require WCC to have an involvement in attracting occupiers, exposure to void costs, managing the building and operating a service charge for its maintenance. This will include arranging cleaning of the common parts, window cleaning, waste collection, landscape maintenance and insurance.

5.3 Procurement Plan

- 5.3.1 **Carfax Development:** If the Council retain an interest in the site, the aspiration is to pre-let the majority. However it is likely that an element of the development will not be income producing at practical completion and this will result in an income void and exposure to void costs. Currently the projected income generated will cover the cost of borrowing and provide a revenue surplus. Therefore the project will not require on-going revenue support providing it's fully let, otherwise void service charge and business rates will need to be covered.
- 5.3.2 The delivery route for each option is set out below with estimated dates forecast in the project plan in section 7. All options will require specific legal resource to advise the Council on the sale or procurement process.

Table 11 Procurement Strategy for Delivery Options

Option	Procurement Strategy
<p>B. Sell with outline planning permission</p>	<p>If this option is selected, it is anticipated that a decision on the outline planning application will be made by August 2019. A future Cabinet (Station Approach) Committee will be asked to make a gateway decision on whether to proceed with the design work or to sell the site. Following a decision to sell the site; the Corporate Head of Asset Management will proceed with marketing the site for sale.</p> <p>Procurement Strategy: Legal Advice and other supporting consultancy advice if required, in accordance with PCR 2015 and the Council's Contract Procedure Rules as appropriate.</p>
<p>C. Joint Venture Agreement (JV)</p>	<p>Following a decision on whether to proceed with this option, a procurement process to identify a potential JV partner will begin which is anticipated to take up to 18 months to cover all governance arrangements and legal agreements. A decision will need to be made on the percentage control of the partnership that the Council takes, taking into consideration the attractiveness of the arrangement to the other partner organisation. To better understand the market perspective, it would be beneficial to carry out some structured pre-market engagement to help inform the structure of the JV.</p> <p>Soft market testing on the procurement of a JV partner is likely to be resource as well as time intensive and is likely to require significant legal and procurement advice to set up the partnership.</p> <p>Procurement Strategy: Procurement of legal advice, property advice, and other supporting consultancy advice if required, in accordance with PCR 2015 and the</p>

	<p>Council’s Contract Procedure Rules, as appropriate; this will include a construction manager.</p> <p>Procurement of a construction company through the JV – using OJEU/Frameworks as suitable in line with the Council’s Contract Procedure Rules.</p>
<p>D. WCC Develops</p>	<p>If Cabinet (Station Approach) Committee decides that the City Council should take the project forward and undertake the development, then following the gateway decision the Council has two options on how to proceed.</p> <ol style="list-style-type: none"> 1. Undertake RIBA Stages 3 (developed design) and 4 (technical design) and then procure a construction partner who then may require design changes, or 2. After RIBA Stage 3, procure a construction partner and undertake RIBA Stage 4 with the construction partner which allows their input to the design at an earlier stage of the process. <p>Procurement Strategy: Procurement of legal advice and property advice and other supporting consultancy advice if required, in accordance with PCR 2015 and the Council’s Contract Procedure Rules, as appropriate; this will include a construction manager.</p> <p>Procurement of a construction company using OJEU/Frameworks as suitable in accordance with PCR 2015 and the Council’s Contract Procedure Rules.</p>
<p>E. Income Strip</p>	<p>If this option is selected, then a sale and leaseback arrangement will be agreed.</p> <p>An Institutional Fund will need to be found (through a procurement exercise) to purchase the freehold from the Council. The institution will then procure a contractor and pay for the development to be constructed. The Council will enter into a lease with the Institutional fund at a rent less than the market rent but with fixed uplifts based on RPI.</p> <p>Procurement Strategy: For the new development an external developer would be brought in by the leaseholder (Fund). No procurement strategy would therefore be needed for construction, but legal advice and other supporting consultancy advice will need to be procured in accordance with PCR 2015 and the Council’s Contract Procedure Rules, as appropriate.</p>

5.3.3 The procurement of the services required for the long-term use of the site will also need to be undertaken in accordance with PCR 2015 and the Council's Contract Procedure Rules, as appropriate.

5.4 Potential for risk transfer

5.4.1 For the structure of the deal, the risk transfer structure for each of the options is set out and the key contractual issues are considered.

5.4.2 WCC is currently responsible for all of the risk on the design work for the proposed development project. The risk transfer for the delivery options is set out in table 12 below.

Table 12 Risk Transfer Matrix

Risk Category/option	Party who will carry the majority of the risk			
	B: Sell with planning permission	C: JV (based on 50:50 balance)	D: Council builds	E: Income strip
Construction (procurement of construction services and site construction risks)	Developer	High risk to WCC	WCC	Finance partner
Financing of development (capital spend)	Developer	High risk to JV partner	WCC	Finance partner
Letting of all floorspace (revenue income)	Developer	Risk shared by JV partnership	WCC	WCC
Site management (revenue spend)	Developer	Risk shared by JV partnership	WCC	WCC
Risk ranking to Council (lower score = lower risk)	1	2	4	3

5.4.3 If the Council sells the site (option B), the risk transfers across to the developer. In the joint venture option (option C) risk transference depends upon the balance of the partnership and there are different options that could be considered through a JV approach, but assuming a 50:50 balance, the Council will put in the land and the JV partner a matching financial balance towards the development, with additional financing provided through the partnership. This means that the JV partner takes on the majority of the financial risk. Once the site is constructed, lettings and site management risks are shared by the partnership. Complications can arise at the point the JV partner chooses to exit at from the arrangement.

- 5.4.4 If the Council undertake the development itself (option D), it will carry all risk. Under the income strip approach (option E), the financing partner is responsible for the construction and financing of the development and therefore carry the risks for these aspects of the project, but the Council takes the majority of the risk around the lettings and site management. The risk transference has subsequently been ranked by option depending on the level of risk transferred to, or remaining with, the Council for each option. Risk transfer can then be considered with the other elements of financing and benefits realisation etc. within the overall OBC framework.
- 5.4.5 There are potential alternative options within the above 4 approaches that will result in different risk transfer, such as if the Council sell the site, but retain the Registry Office for example. These are potential sub options that can be considered through the progression of the business case.

5.5 Key contractual issues and milestones

- 5.5.1 If the Council decide to sell the site (option B), before finding a suitable buyer the Council will want to explore the extent that conditions could be attached to the sales contract so that there could be a level control over the following aspects:
1. the design (outwith the control of WCC as local planning authority)
 2. a longstop date .
 3. potential buy-back of the completed development
 4. overage
 5. retention of the Registry Office
- 5.5.2 Any such clauses will be an additional control to the powers that the Council can use as a Local Planning Authority to control the delivery of a development on the site in line with adopted Local Plan Policy.
- 5.5.3 For option C, joint venture, the key contractual issues will be:
- Proportion of control of partnership between partner and Council. This must be commercially acceptable and will depend on level of financing provided, level of risk being taken by each party, and how the governance structure will need to work in order to get a deliverable development. All these considerations could be negotiated during the procurement and will need to be included in the contract.
 - Governance arrangements for decision making during construction that don't impede delivery unnecessarily
 - Timescales for the contract and subsequent handover agreements.
 - Personnel implications - who is procuring and managing the personnel required to deliver and then manage the site
 - Whether the JV is subject to procurement regulations
 - Respective exit scenarios
- 5.5.4 Option D: Council build - contractual issues will need to be addressed regarding the procurement of the necessary expertise to guide the Council in acting as the developer as well as procuring and agreeing a contract with a developer. In this option, the Council will need to consider at which design stage they want to bring in the procurement of the contractor and build technical design discussions into the contract. This could be at the beginning, or during RIBA Stage 4 (technical

design) which would allow the contractor to be involved in the technical design work in order to assist future delivery at an early stage, or following RIBA stage 4, and needing agreement on technical construction elements prior to construction commencing.

5.5.5 The contract for a construction contractor will also need to address transfer of risk for work on site, completion standards and handover agreements as well as personnel recruitment for construction (the Council will want to promote use of local skills base and apprenticeship schemes for example).

5.5.6 Option E, Income strip key contractual issues will arise regarding:

- Risk of negative cash flow
- The length of time for the lease period (how long will the income strip partnership exist);
- Rental agreements during the lease period (how much rent will the Council pay to the finance partner during this period).
- Which index the rent will be linked to (retail price index for example).
- How the transfer of the ownership of the site will be transferred back to the Council at the end of the lease period, and what the agreed cost will be
- What arrangements will the Council make as landlord during the lease (which services will be provided by the Council during this period – site management for example)

5.5.7 Further detail on proposed charging mechanisms, contract lengths, contractual clauses, and personnel implications will be developed through the development of the business case.

5.5.8 The milestones for each option are set out below and reflect the key decision stages and achievement points to progress each delivery option to the point when benefits may be realised.

Table 13 Delivery Option Milestones

Option	Milestone
B (Sell)	<ul style="list-style-type: none"> • Agreement to sell site • Grant of outline Planning Permission • Sale of site • Benefits realisation post construction completion 1, 3 and 5 year monitoring • Overage payment date
C (JV)	<ul style="list-style-type: none"> • Agree form of JV arrangement • Completion of RIBA Stage 3 (developed design) • Pre-market engagement • Agreement to enter into JV • Completion of Procurement for JV Partner • Satisfying a viability test • Approval of Reserved Matters (detailed planning permission) • RIBA Stage 4 (Technical Design) • Procurement of Archaeology Contractor and completion of archaeology Works

Option	Milestone
	<ul style="list-style-type: none"> • RIBA Stage 5 (Construction Design) • Procurement of Construction contractor and construction start on site • Pre-lets of site • Completion of Construction • Handover • Termination of JV Partnership – exit of/pre-emption exercise • Benefits realisation post 1, 3 and 5 year monitoring.
D (WCC)	<ul style="list-style-type: none"> • Completion of RIBA Stage 3, 4 and 5 (developed, technical and construction design) • Agreement to build and approval of Reserved Matters (detailed planning permission) • Satisfying a viability test • Procurement of Archaeology Contractor and completion of archaeology Works • Procurement of Construction contractor and construction start on site • Pre-lets of site • Completion of Construction • Handover • Benefits realisation post 1, 3 and 5 year monitoring.
E (Income Strip)	<ul style="list-style-type: none"> • Completion of RIBA Stage 3 (developed design) • Agreement to enter into income strip arrangement • Completion of procurement or agreements with Fund partner • Approval of Reserved Matters (detailed planning permission) • RIBA Stage 4 (Technical Design) • Procurement of Archaeology Contractor and completion of archaeology Works • RIBA Stage 5 (Construction Design) • Procurement of Construction contractor and construction start on site • Pre-lets of site • Completion of Construction • Handover and start of lease period • Benefits realisation post 1, 3 and 5 year monitoring. • Termination of lease period and buy back of site.

5.5.9 The implications of the different procurement strategies on timescales and the milestones for the programme are set out in Table 233.

5.6 Conclusions on the proposed Delivery Route

5.6.1 Delivery options B, D and E are considered as more commercially feasible and deliverable than Option C. The JV approach (Option C) is less attractive to the market than the other options because of the length of time required and costs/resource needed to participate in the procurement process and to set up the JV (c. 18 months); as well as the long-term investment commitment and the shared control within the partnership and governance required for this. There is dilution of value if no party have 100% ownership of the site. There is also the

significant programme extension for satisfying requirements for spending the LEP grant.

- 5.6.2 Ongoing discussions in relation to the delivery options has indicated interest from pension funds in the income strip approach (E), and also from developers in the sale with outline planning permission option (B). The income strip option removes significant risk in terms of time (compared to the JV option) with a fund able to procure the construction of the scheme more quickly than the council could.
- 5.6.3 However, the risk for the council comes at some future date when there is the real possibility that the income the council is required to pay to the fund exceeds that which the council receives from the scheme in rent placing a significant risk to council finances. The option of selling the site with outline planning permission transfers not only the procurement and construction risks but also the letting risk. This removes significant risk for the council but does not provide WCC with any ongoing revenue income to help council finances, and relies on the ability to find a willing purchaser/developer. A variation on this option is being explored that would entail the council selling the site but having a first right of refusal to buy the completed scheme back. The legal implications of this are being explored. This approach would result in the council benefiting from a long term income stream from the scheme.

6. The Financial Case

6.1 Introduction

- 6.1.1 The financial case sets out the costs of impacts on income and expenditure etc on the Council's balance sheet and focuses on the affordability of the shortlisted options. Grant Thornton was commissioned by the Council to undertake the financial appraisal for the Outline Business Case (Grant Thornton, 2019) and to develop a financial model for this purpose. This section summarises the key points from their appraisal which is provided in Annex 2.
- 6.1.2 Costs and valuation information used by Grant Thornton for the Financial Appraisals is provided by the Stage 2 Cost Report (MACE, 2019) and the Valuation Report (Vail Williams, 2019).

Table 14 Summary of assumptions by option (for full detail, see (Grant Thornton, 2019))

A: Do Nothing	"Do Nothing": Council retains the current use of the site for car parking
B: Sell with Planning	Sale to a third party: the Council sells the site with planning permission to a third party for development
C: Joint Venture	Joint Venture (JV): the Council enters into a corporate joint venture with a private sector partner to develop the site; and on completion the Council buys back all of the assets
D: Council Develops	Council development: the Council develops the site directly, funded by prudential borrowing, and retains all of the completed assets
E: Income Strip	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.

6.2 Risk weightings and optimism bias

- 6.2.1 Risk weightings and optimism bias assumptions were provided by the Council and reflect the Council's perception of the relative certainty of the future cash flow (risk weighting) and the likely under-statement of required capital expenditure (optimism bias⁹).

⁹ The range given for optimism bias is within the HM Treasury Green Book guidance of 2-24% for standard buildings project.

Table 15 Risk weightings and optimism bias

Ranking	A: Do Nothing	B: Sell with Planning	C: Joint Venture	D: Council Develops	E: Income Strip
Key risk	securing on-going income from the existing site	securing planning permission and a purchaser of the site	Council securing a private sector partner and on-going income from the site	Council acting as a developer and securing on-going income from the site	Council agreeing and securing on-going income from the site
Council Risk Weighting	95%	90%	82.5%	80%	85%
Optimism bias	n/a (no capex)	n/a (no capex)	20%	24%	15%

6.2.2 The impact on cash flow (pre-tax) and NPV with the application of the risk weighting and optimism bias is summarised from the financial appraisal below.

Table 16 impact on cash flow (pre-tax) and NPV

£'000's	A: Do Nothing	B: Sell with Planning	C: Joint Venture	D: Council Develops	E: Income Strip
Net cash flow post-finance¹⁰	27,047	2,000	143,189	157,651	149,126
Net cash flow post finance, post risk and optimism bias	25,383	1,800	60,689	43,529	66,321
NPV pre-risk/optimism bias	6,829	1,920	22,266	28,209	25,739
NPV post-risk & optimism bias	6,409	1,728	5,472	3,625	5,965

Table 17 Ranking of options on impact on cash flow (pre-tax) and NPV impacts with risk weighting and optimism bias applied

Ranking	A: Do Nothing	B: Sell with Planning	C: Joint Venture	D: Council Develops	E: Income Strip
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¹⁰ Over a 50 year period

Net cash flow post finance, post risk and optimism bias	4	5	2	3	1
NPV post-risk & optimism bias	1	5	3	4	2

Summary comments

- 6.2.3 Option A retains the income from the existing car park and therefore ranks higher than the sale option for cashflow where the Council sells the asset and ranks highest for NPV.
- 6.2.4 Option B is lowest rank for net cash flow and NPV in the financial appraisal, but there would be a capital receipt from a sale of the site, and potential for the Council to retain partial business rates from an ensuing development.
- 6.2.5 Option C does not generate a profit after the application of risk and optimism bias. The financial appraisal report therefore suggests this may not be considered a viable delivery route in this scenario, as it is unlikely to attract a private sector partner in these circumstances.
- 6.2.6 Option D, the Council develops the site has the highest NPV pre-application of risk weighting and optimism bias. This option retains 100% of the development profits and has a lower cost of finance than options C and E and no stamp duty land tax. Option D however carries much more risk and may require more capital expenditure than anticipated which is why this option drops in the ranking scale when risk and optimism bias are applied.
- 6.2.7 Option E, Income strip option has the highest net cash flow and second highest NPV after risk weighting and optimism bias are applied.

Recommendations for options development

- 6.2.8 Other factors to consider through the development of the shortlist of options will be, as advised by Grant Thornton, possible delays to the programme for options D and E which will impact the comparative NPV and will also need to be taken into account as the short list is refined.

6.3 Sensitivity analysis

- 6.3.1 How the net cash flow and NPV are affected by other factors is assessed through a sensitivity analysis. This tested changes in rental income, funding rates and income strip indexation.
- 6.3.2 Key impacts these have on the financial appraisal is set out below¹¹. Options A and B are not affected by these sensitivities as these are not variables within their cash flows. The base case is the position without any risk weighting or optimism bias being applied.

¹¹ Rental income is set out in Appendix 2, Financial Appraisal, Grant Thornton, 2019

Table 18 Sensitivity Analysis – Revised Net Cash Flow (£000s)

Key Change	Option C	Option D	Option E
Base Case	143,189	157,651	149,126
Funding - PWLB interest rate +1%	114,553	129,531	No change
Funding - PWLB interest rate -1%	169,164	182,594	No change
Income Strip indexation RPI + 1%	No change	No change	108,104
Income Strip indexation RPI - 1%	No change	No change	179,750

Table 19 Sensitivity Analysis – Revised NPV (£000s)

Key Change	Option C	Option D	Option E
Base Case	22,266	28,209	25,739
Funding - PWLB interest rate +1%	14,800	20,449	No change
Funding - PWLB interest rate -1%	29,273	35,106	No change
Income Strip indexation RPI + 1%	No change	No change	17,394
Income Strip indexation RPI - 1%	No change	No change	32,305

- 6.3.3 As set out in the Grant Thornton Financial Appraisal report 2019, this illustrates the sensitivity of options C, D and E to changes in the rental income and changes in finance rates, notwithstanding that the income strip arrangement may be subject to a cap and a floor. This means that a change in a sensitivity will change how the delivery options may perform comparatively to each other.
- 6.3.4 Grant Thornton also recommends that the Council consider the long term commitment risk of the income strip approach compared to the other approaches. Their modelling work demonstrates that changing the risk weighting for the income strip affects the financial performance of this option and they conclude that ‘as plans for the scheme are refined, the Council updates its analysis of projects risks to ensure they reflect the more detailed understanding of the project and any changes to market/economic conditions and outlook’. Grant Thornton also recommends that further soft market testing is undertaken to ensure up to date yields are utilised in any subsequent analysis.

6.4 Impact on Council's Financial Position

6.4.1 The financial appraisal assessed the impact of each option on the Council's financial position and the revenue impact is summarised in the table from the appraisals below.

Table 20 Revenue - Summary of Surplus / (Deficit) on Provision of Services (£'000s) Year

	1	2	3	4	5	6	7	8	9	10-54	Whole life
B: Sell with Planning	(61)	(250)	(255)	(260)	(265)	(270)	(276)	(281)	(287)	(20,573)	(22,778)
C: JV	11	(3)	(255)	(260)	422	422	422	425	428	119,005	120,618
D: Council Develops	(61)	(250)	(255)	2,114	1,650	783	779	774	768	128,572	134,873
E: Income Strip	(61)	(250)	(255)	756	1,301	1,251	1,192	1,132	1,071	118,211	124,348

6.4.2 For all options, the revenue from the car parking income is lost as the Council sell the site, and therefore shows a net negative impact every year. For option B, the Council would receive a capital receipt of a minimum £2 million which is not accounted for in the revenue summary above. In addition, Table 20 does not account for the anticipated income from Business Rates. Option C reflects the interest and profit share from the partnership JV, and revenue stream from buying back and operating the completed assets. Option D reflects the interest payments on borrowing to finance the developments and ongoing revenue stream from buying back and operating the completed assets. Option E reflects the ongoing revenue stream from operating the completed asset and the liability for the lease rent payment over 40 years.

6.4.3 Option D has the best whole life surplus as the Council retains the profit on the build and has a lower cost of finance due to prudential borrowing, but the Council would also be required to take on all the development risk in this scenario.

6.4.4 Table 21 summarises the surplus/deficit on provision of services after application of risk adjustment and optimism bias, the Income Strip option ranks highest, and the JV option has the same constraints as set out in paragraph 6.2.5. The application of the sensitivity tests are consistent with the findings on net cashflow and NPV, illustrating sensitivity of options C, D and E to changes in rental income, and finance rates and sensitivity of the income strip to indexation risk over a 40 year period.

Table 21 summary of surplus/ (deficit) on provision of services after accounting for risk weighting and optimism bias combined (£ '000s)

	A: Do Nothing	B: Sell with Planning	C: Joint Venture	D: Council Develops	E: Income Strip
Base case	0	(22,778)	120,618	134,873	124,348
Risk weighting and optimism bias	(1,665)	(22,778)	38,034	20,749	41,831
Ranking	4	5	2	3	1

6.4.5 In conclusion:

- Option B (sell with the benefit of planning) ranks lowest for the impact on the Council's financial position, but the capital receipt from a sale, and the anticipated income from business rates are not reflected in the ranking.
- Option C (JV) shows a positive financial impact above, however, the financial appraisal report suggests this may not be considered a viable delivery route in this scenario, as it is unlikely to attract a private sector partner in these circumstances and that there are risks to overall viability of the JV.
- Option D (Council develops) achieves the highest whole life surplus as the Council retains all the profits from the development and has a lower cost of finance due to prudential borrowing (Grant Thornton, 2019), but also carries more risk.
- Option E (Income Strip) ranks higher than other options, but is very sensitive to changes in indexation over the lease period which is a significant risk to the Council's provision of services. This route would add time to the Programme, over and above selling the site (Option B).
- Options C, D and E are also sensitive to changes in retail income and finance rates.

7. The Management Case

7.1 Introduction

7.1.1 This section sets out the approach to the project management during the design and development phase and subsequently the operating phase. The project is being managed in accordance with the Council's major projects and programme management requirements,

7.2 Programme management arrangements

7.2.1 WCC has in place a structure and responsibilities for programme management of major projects. The Station Approach project fits within this structure and set out below are the key features of this structure and responsibilities for programme management.

7.2.2 With a growing capital programme, there is a desire to prudently invest to generate financial return, generate income from the Council's estate and to secure the Council's outcomes through major projects, it is essential that the delivery of projects and of the capital programme is effectively managed and resourced. Sound programme management and resource planning are key to the delivery of the council's Major Projects. This process includes;

- monitoring of an agreed list of projects;
- programme delivery;
- capital programme strategy formulation;
- resource planning; and
- identifying and assessing new projects to be added to the list.

7.2.3 The Head of Programme has responsibility for the delivery of the project within the Council's programme, and the Policy and Projects Team has a key role and skills which will be used during the pre-project and feasibility stages of possible projects, along with other technical support from within WCC and external advisors as needed

7.2.4 The 'Programme Management Group' consists of key programme and project managers, legal, financial, communications and other appropriate staff as required, including WCC Strategic Directors. This Group;

- agrees the allocating of resources and funds
- consider priority changes (delayed or accelerating);
- oversees the Major Projects Budget (held by the Policy and Projects team) to enable external resources to be procured to deliver existing schemes and to enable feasibility work for potential new projects.

7.3 Project Management arrangements

7.3.1 A Council project manager has been appointed for the project and the project is being managed in accordance with PRINCE2 methodology.

7.3.2 Project documentation has been developed in accordance with the Council's major projects reporting structure and these include

- Project reporting structure and roles (set out in Annex 5: Roles and Responsibilities)
- Project Initiation Document
- Risk and Issue Registers
- Communications Plan

7.3.3 Critical to the success of the project will also be the following:

- Clear specification for project delivery
- Dedicated resources sufficient for the delivery of the project – in house and external.
- Agreed change control process
- Agreed budget and construction programme with allowance for contingency – with external input

7.3.4 Contract management will also be a critical factor in the delivery of a successful project and the following will be taken into consideration through the development of the business case:

- Agreed contractor team and clear process for managing sub contractors and information pathways
- Consideration of the number of contracts to be managed (single construction lead for example)
- Clear governance for any decision making processes
- Appropriate risk allocation

Project Plan

7.3.5 A project plan has been developed and is being managed by the WCC Project Manager. The detailed plan is part of the project documentation, and the Gateways within the plan are set out in Table 22.

Table 22 Project Plan Gateways: Pre implementation includes procurement, design stages and development of the business case for the project

Carfax Development Pre-implementation Gateways	Estimated Dates
Award of design contract confirmed and signed	Oct 2017
RIBA Stage 1 Approval: Preparation and Brief - Master Plan and Public Realm Strategy	Feb 2018
RIBA Stage 2 Approval: Concept design and confirmation of submission of Outline Planning Application	Mar 2019
Planning Application Submission	Mar 2019
Outline Planning Application Determination	Jul 2019
Decision on delivery route	Jul 2019
Potential completion of RIBA St 3 Developed Design (dependent on delivery route)	Q3 2019 - Q3/4 2020

Table 23 Project Plan Gateways: Implementation: Estimated dates for each shortlisted option (to finalisation of delivery vehicle).

Option B Sell with outline planning permission		Estimated Dates
1	Agreement to sell	Jul 2019
2	Finalise Tender documentation for Sale (6 weeks)	Sept 2019
3	Bidding period (12 weeks)	Sept-Dec 2019
4	Review of offers / clarification period (4 weeks)	Jan 2020
5	Offer/Acceptance	Feb 2020
6	Finalisation of sale contract (4-6 weeks)	Apr 2020

Option C Joint Venture Agreement (JV)		Estimated Dates
1	Agreement to set up a JV	July 2019
2	Draft & Agree detailed Instructions For set up/Governance arrangements for JV selection process (8 weeks)	Aug-Sept 2019
3	Advertise opportunity (OJEU) and Supplier Selection (SQ) stage (6 weeks)	Oct-Nov 2019
4	Selection Questionnaire (6 weeks)	Nov- Dec 2019
5	Review & appoint short list (3 weeks)	Jan 2020
6	Invitation to Submit an Outline Solution – (ISOS) (12 weeks)	Feb-Apr 2020
7	Review & score. + prepare Invitation to Submit a Detailed Solution (ISDS) (3 weeks)	May 2020
8	ISDS (10 weeks)	Jun-Aug 2020
9	Review & score (3 weeks)	Sept 2020
10	Call for Best and Final Tenders (BAFO)(4 weeks)	Oct 2020
11	Review, score and prepare Council report (6 weeks)	Nov-Dec 2020
13	Finalisation of JV Agreement (16 weeks)	Jan-Apr 2021

Option D WCC Develops		Estimated Dates
1	Agreement for WCC to take forward site to development	Jul 2019
2	Procurement of construction manager	Aug-Nov 2019
3	Procurement of construction partner	Dec 2019 – May 2020

Option E Income Strip/Annuity Funding		Estimated Dates
1	Agreement to enter into Income Strip arrangement	July 2019
2	Draft & Agree detailed Instructions for appointing a Development Partner (6 weeks)	Sept 19
4	Advertise opportunity (3 weeks)	Oct 2019
5	Selection Questionnaire (6 weeks)	Dec 2019
6	Review & appoint short list (3 weeks)	Jan 2020
7	Bidding process (12 weeks)	Feb-Apr 2020
8	Review & score (3 weeks)	May 2020
9	Clarification period (10 weeks)	Jun-Aug 2020
10	Review & score (3 weeks)	Sept 2020
11	Review, score and prepare Council report (8 weeks)	Oct-Nov 2020
12	Finalisation of Income Strip Agreement/Legals (12 weeks)	Feb 2021

7.4 Approach to Delivery

7.4.1 The WCC process for selecting a development delivery route is set out in the Governance arrangements for progression of the Carfax development scheme, i.e. based on Cabinet approval at successive Gateways, linked to the RIBA Stages (see Annex 6).

7.4.2 At present the scheme is at Concept RIBA Stage 2. This is to be presented to Cabinet in March 2019 to inform the Cabinet decision on whether to approve the Concept Design work (RIBA Stage 2) and to review next steps, including a preferred approach for delivery. Cabinet will also confirm the submission of an outline planning application with public consultation having been held ahead of that submission.

7.4.3 During the following stage, the options for delivery will be developed further to enable a decision to be made at a future Cabinet, currently scheduled for July.

7.5 Outline arrangements for change and contract management

- 7.5.1 Changes within the project up until the delivery route is implemented will be controlled by the Project Board (Annex 5: Roles and Responsibilities). Changes are raised by the project team through the Head of Programme and signed off by the Project Board taking into consideration the availability of resources to support the proposed change.
- 7.5.2 Regular reporting and identification of key risks and changes which impact on the overall project will be reported to the Project Board for decision making through the monthly Project Management Group Monitoring Report, or directly to the Board as timescales allow.
- 7.5.3 Once the route for delivery is agreed, the management of the future contract will be subject to a change process which will deal with any WCC changes to the contract. The principles of the change process will be as follows:
- Capture the information requiring the change - collate all details of any request for change including information on costings, timing, impact etc., and record the details of who has made the request and the reasons for this change
 - Examine: Formally raise this request to the Project Manager to assess the impact of the change on the project objectives, the business case and project plan, and prioritise the change.
 - Propose: Project Manager with the Head of Programme to propose options for the Project Board to consider.
 - Decide: Project Board to approve and sign off for this request (if appropriate), or escalate if beyond delegated authority.
 - Implement: Project Team to take appropriate action.
- 7.5.4 In its approach to delegated authority, the City Council will determine where changes can be agreed. Under delegated authority the Project Board will consider and agree changes within the agreed tolerance of budget, time and quality set by Cabinet (Station Approach) Committee under their [terms of reference](#).

7.6 Outline arrangements for benefits realisation

- 7.6.1 A key part of the monitoring regime and approach will be the delivery of the outcomes and benefits, set out in the strategic case. These monitoring proposals could be included within the specification for the delivery route chosen and delivery will be the responsibility of the City Council if the Council take forward an option to be directly involved in the delivery of the development, for example through Joint Venture or WCC as developer.
- 7.6.2 Objectives and expected benefits are set out in Table 24, and are classified according to their importance for monitoring the delivery of a successful project. These benefits can be measured as set out in Table 24, and the success of the project measured according to the extent that the benefits have been realised.

Table 24 Objectives and expected benefits ranked

Investment objectives ranked from high to low for importance for benefits realisation	Realisable benefits	Measure/Key Performance Indicators	Benefits Realisation Monitoring periods 1, 3 and 5 years after completion of construction works and following any handover period
1. Achieve greater economic performance from land uses	Meet Council Strategy Objective to make the District a premier business location through the provision of high quality offices in a sustainable location.	<p>Is the development of sufficient quality and standard to meet the council objective and does it represent a flagship example to stimulate investment.</p> <p>Measures:</p> <ul style="list-style-type: none"> • Interest generated from marketing material and approaches in the market • Number of enquiries for similar accommodation in the City • Interest created in 3rd party publicity • Business survey results – perception of local business confidence linked to the development • Speed of letting 	All measures must show an improvement from the baseline in order for this objective to be met and for the benefits to have been realised.

Investment objectives ranked from high to low for importance for benefits realisation	Realisable benefits	Measure/Key Performance Indicators	Benefits Realisation Monitoring periods 1, 3 and 5 years after completion of construction works and following any handover period
		<ul style="list-style-type: none"> Quality of occupiers 	
1. Achieve greater economic performance from land uses	Economic Development Uplift Ability to retain and attract businesses to Winchester by supplying high quality office space which will provide new employment opportunities and wider economic benefits to other local businesses and organisations.	<ul style="list-style-type: none"> Number of new businesses occupying the site Number of new employees on site, by sector Indirect benefits to supply chain and local businesses through supply chain figures. Additional spend in supporting services Business demography and office space availability: Trend is loss or gain in office space in Winchester, and quality of provision GVA/employee GVA 	Over 50% of the measures must show an improvement from the baseline in order for this objective to be met and for the benefits to have been realised.
1. Achieve greater economic performance from land uses	Reducing the levels of 'in and out' (of Winchester) commuting by being able to offer high value employment opportunities which will reduce levels of traffic congestion	<ul style="list-style-type: none"> Transport data from census Travel to work plans for businesses on site –provisions for staff walking/cycling to work Number of people from local area employed on site: Employers on site – supply chain policies; employment and skills plans; local advertising and recruitment policies 	No quantifiable change in realisable benefits There must be some improvement in the measures from the baseline in order for this objective to be met and the benefits to have been realised.

Investment objectives ranked from high to low for importance for benefits realisation	Realisable benefits	Measure/Key Performance Indicators	Benefits Realisation Monitoring periods 1, 3 and 5 years after completion of construction works and following any handover period
2. Maintain or improve the City Council assets	Financial Benefits Net uplift to Council through business rates and additional income to the Council.	<ul style="list-style-type: none"> • Office floorspace rent value • Level of occupation of site • Additional business rates from site • Additional income to the council 	More than 25% of the measures must show an improvement from the baseline in order for this objective to be met and for the benefits to have been realised.
3. Improve the aesthetic and environmental impact of the area	Improved and more aesthetically pleasing public realm area and walking and cycle routes for residents, commuters and visitors to Winchester	<ul style="list-style-type: none"> • Economic benefits of public realm improvements • Income from opportunities for pop up activities and events in public realm • Does the development meet key criteria of 'secured by design'. 	There must be some improvement in the measures from the baseline in order for this objective to be met and the benefits to have been realised.

7.7 Outline arrangements for risk management

7.7.1 The approach to risk management has been identified within the economic case and within the risk register. A risk register and issues log is maintained by the project manager throughout the project.

7.8 Outline arrangements for post project evaluation

Post Implementation Review (PIR)

7.8.1 This review ascertains whether the anticipated benefits have been delivered and are timed to take place once the construction has been completed and also during the operating period as follows:

- Objectives review – to take place on completion of the Council's involvement in the project and will measure the success of the project based on the extent of the delivery of the strategic objectives (Table 2 Summary of economic performance). This may be once the development construction phase is completed and the spaces are let, dependent upon the delivery route chosen.
- Revenue income review – on occupation of the development following an agreed rental period. This will monitor the actual rental income against the modelled income and is specific to investment objective 3.
- Economic development review – to take place following the publication of census data following completion of the development – this will allow the monitoring of indirect benefits of the project to the wider economy as set out in Table 1.

7.8.2 The outputs of the reviews and key findings will be used to assess whether the project has delivered the outcomes and also provide learning for the delivery of future major projects. The timescales for the review and monitoring of the measures in Table 24 will take place 1, 3 and 5 years after completion of construction works and following any handover period.

Project Evaluation Review (PER)

7.8.3 Project Evaluation Review (PER) appraises how well the project was managed and delivered compared with expectations and are timed to take place once construction has been completed and the space is let. Delivery of scope, cost and programme will be included in the appraisal and will form part of the end of an end of project review and lessons learnt report.

7.9 Gateway review arrangements

7.9.1 In accordance with the key milestones for the project a number of Gateway reviews are set out below.

Table 25 Gateway Reviews

Gateway	• Evidence required • (what will we know)
1. Business Justification Case (March 2017)	• Business Justification Case • RIBA Stage 0-1
2. Outline Business Case (Q1 2019)	• RIBA Stage 2 • Preferred Way forward
3. Review of the Outline Business Case (O&S / SA Cabinet March 2019)	• Preferred approach • Estimated capital costs (CAPEX) • Estimated financing costs
3. Full Business Case (dependant on delivery route)	• Generated capital costs (CAPEX) • Financing costs

7.9.2 At these gateway points, Cabinet (Station Approach) Committee will review and agree, as appropriate, the following:

- Project Strategic Objectives
- Business Case information relevant to that gateway
- Design progress
- Budget and resource requirements

7.10 Contingency plans

7.10.1 The contract and specification will include the ability for the Council to review the performance arising in any sale or development arrangement.

7.10.2 The Council could undertake a retendering process if a contract is terminated.

8. Conclusion and Recommendation

8.1 Options Appraisal

- 8.1.1 This OBC provides information to inform Cabinet (Station Approach) Committee decisions at this gateway stage of the project. To aid this process, an appraisal of each of the options is provided in this section to bring together the key points identified within each of the 5 cases of the OBC (strategic, economic, financial, commercial and management) in order to identify a preferred way forward.
- 8.1.2 The options being considered within the Outline Business Case have been firstly considered against how they meet the requirements of each of the five cases within the OBC, and then moderated through the consideration of the impact of risk under each of the cases.
- 8.1.3 For the consideration of how each option performs, they have been scored 1 to 5, where 1 = a high score for an option that performs well, and 5 is a low score for an option that does not meet the criteria. The appraisal is summarised in Table 26 and explained further in the accompanying text below, and the detail behind this can be found in the relevant sections for each of the five cases of this report.

Table 26 Options Analysis: How each option meets the requirements of the five cases

Scoring	A: Do nothing – retain car parking income	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Strategic Case					
Fit with strategic objectives	This option ranks lowest comparatively as it does not deliver any of the strategic objectives.	This option will progress objective 1 and will go some way toward progressing objective 2 and 3	This option could deliver all the strategic options	This option could deliver all the strategic options	This option could deliver all the strategic options
Score	5	4	1	1	1
Economic Case					
Total Gross direct and	£0	£81,378,526	£81,378,526	£81,378,526	£81,378,526

Scoring	A: Do nothing – retain car parking income	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
indirect jobs and GVA annual benefit					
Score	5	1	1	1	1
Benefits realisation	Do nothing - This option is scored lowest as delivers none of the benefits	The realisation of some of the benefits (some of the public realm work) will depend on the level of control that the Council can build into this delivery mechanism.	May take more time to deliver the benefits due to the delivery process requirements and therefore scores lower	All benefits may be realised, so scores highest.	All benefits may be realised, so scores highest.
Score	5	3	3	1	1
Financial Case					
Net cash flow post finance, with risk and optimism bias (£000)	25,383	1,800	60,689	43,529	66,321
Score	4	5	2	3	1
NPV post finance, with risk and optimism bias (£000)	6,409	1,728	5,472	3,625	5,965
Score	1	5	3	4	2
surplus/ (deficit) on provision of services with risk weighting and optimism bias combined (£000)	(1,665)	(22,778)	38,034	20,749	41,831
Score	4	2	1	2	1
Business Rates per annum	£0	£211,000	£211,000	£211,000	£211,000

Scoring	A: Do nothing – retain car parking income	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Score	5	1	1	1	1
Commercial Case					
Market view	No market	Sale could occur relatively quickly; commercial case sets out demand for development opportunities currently and the procurement approach may be the simplest and quickest of the options, and is therefore considered more attractive in the market.	Scored low as lengthy process to set up with implications regarding control of partnership.	Scored higher than C as would be standard procurement and contract process for the market, for a construction partner.	Scored higher than C as there is interest from potential financial partners; with index linked rental income for an agreed period and no long term maintenance responsibility for asset.
Score	5	2	4	3	3
Management Case					
WCC Control over development	Retain all control of the asset.	As it stands relinquishes most control to a third party, so scores lowest, although there are opportunities within option which could be explored further such as the sale with conditions.	Shared control through a JV partnership.	Retain all control of the asset.	The Council retain control as a occupier and control of lettings, but lose control of the development until the end of the lease period.
Score	1	4	2	1	3

Scoring	A: Do nothing – retain car parking income	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Speed of delivery	No change - no delivery	Scored high for delivery of the project as potentially project delivered on sale of site which can happen relatively quickly.	Setting up the JV, the procurement and legal and contractual agreements (including over governance procedures) could take significant period of time (see project plans) and would need to happen before construction commences.	Construction would need to go through procurement process; WCC would need to lead on remaining design stages and reserved matters application	Procurement for investment partner relatively straight forward; finance would then be secured to develop the site.
Score	1	1	4	3	2
Risk Transference Score	All the risk remains with the Council.	Most of the risk is transferred to a third party under this option.	Partnership approach, so different risks are shared between the partners.	All the risk remains with the Council.	The investment partner takes construction and finance risk, but the Council retains letting and site management risks.
Score	5	1	3	4	2
Total	41	29	25	24	18
Rank	5	4	3	2	1

Fit with strategic objectives

8.1.4 "The Strategic objectives from the Business Justification Case are:

1. Achieve greater economic performance from land uses
 2. Maintain or improve the City Council assets
 3. Improve the aesthetic and environmental impact of the area.
- Option A scores lowest comparatively as it does not deliver any of the strategic objectives.
 - Option B will progress objective 1 and will go some way toward progressing objective 2 and could deliver option 3.
 - The remaining options should all be able to deliver all of the strategic objectives including maintaining and improve assets in different ways, and therefore are scored highest.

Total Gross direct and indirect jobs and GVA annual benefit

8.1.5 The Gross Value added (GVA) is taken from Grant Thornton's Economic Appraisal.

- The 'do nothing' scenario, option A, does not provide any additional economic benefit from the current position and therefore scores lowest.
- All the other delivery options will result in a development in line with the Local Plan policy through different mechanisms, but they all could result in the impacts to GVA set out in the Economic Appraisal summarised in Section 4 and have therefore all been scored the same.

Benefits realisation

8.1.6 "The realisable benefits are set out in Table 1 and Table 24:

- The 'do nothing' scenario, option A, scores lowest as this option does not deliver these benefits.
- Option C may take more time to deliver the benefits due to the delivery process requirements and therefore scores lower, as does option B where the realisation of some of the benefits (some of the public realm work) will depend on the level of control that the Council can build into this delivery mechanism.
- Options D and E are capable of realising all the benefits through delivery routes.

Net cash flow and NPV post finance, post risk and optimism bias

8.1.7 The impact on cashflow and NPV is set out in Table 16

- Option A retains the income from the existing car park and ranks highest for NPV.
- Option B is lowest rank for net cash flow and NPV in the financial appraisal, but there would be a capital receipt from a sale of the site, and anticipated business rates which aren't included in the assessment.

- Option C does not generate a profit after the application of risk and optimism bias. The financial appraisal report therefore suggests this may not be considered a viable delivery route in this scenario, as it is unlikely to attract a private sector partner in these circumstances.
- Option D, the Council develops the site has the highest NPV pre-application of risk weighting and optimism bias. Option D however carries much more risk and may require more capital expenditure than anticipated.
- Option E, Income strip option has the highest net cash flow and second highest NPV after risk weighting and optimism bias are applied

8.1.8 Surplus/ (deficit) on provision of services with risk weighting and optimism bias combined)

- Option B ranks lowest for the impact on the Council's financial position, but the capital receipt from a sale, and the anticipated income from business rates are not reflected in the ranking.
- Option C (JV) shows a positive financial impact, however, the financial appraisal report suggests this may not be considered a viable delivery route in this scenario, as it is unlikely to attract a private sector partner in these circumstances and that there are risks to overall viability of the JV.
- Option D (Council develops) achieves the highest whole life surplus as the Council retains all the profits from the development and has a lower cost of finance due to prudential borrowing (Grant Thornton, 2019), but also carries more risk.
- Option E (Income Strip) ranks higher than other options, but is very sensitive to changes in indexation over the lease period which is a significant risk to the Council's provision of services.
- Options C, D and E are also sensitive to changes in retail income and finance rates.

Business rates

8.1.9 Business rates may change in future, but this will not affect the comparison of the options as the change will affect all delivery options equally. The business rates that would be retained by WCC from the completed development at Station Approach estimate provided is based on the current system.

Market view

8.1.10 The market view summarises how the delivery deal is viewed in the market place as an attractive proposition.

- Option A is not of interest in the market as the Council retains the asset and there is no procurement opportunity; therefore this options scores lowest.
- Option B is the simplest and quickest approach and is therefore more attractive in the market.
- Option C is a significant investment as a procurement approach; it can take a significant amount of time to go through the process and is

therefore scored low. Some will not be willing to enter into a JV with a public body

- Options D and E have similar procurement issues in terms of time and investment although the process is different, but are simpler procurement processes than option C.

WCC Control over development

- Options A and D retain all control of the asset so score highest.
- Option B as it stands relinquishes most control to a third party, so scores lowest, although there are opportunities within option which could be explored further.
- Option C is shared control through a JV partnership so scores second highest.
- Option E the Council retain control as a occupier, but lose control of the development until the end of the lease period, so this scores lower than most other options.

Speed of delivery

- Options A and B are the quickest processes for the project and score highest.
- Option D is scored lower than E as construction would need to go through procurement process; WCC would need to lead on remaining design stages and reserved matters application, but construction could happen sooner than in option C, where the partnership would need to be set up before construction commences.
- Option E is scored second as procurement for investment partner relatively straight forward; finance would then be secured to develop the site.

Risk transfer

8.1.11 Risk transfer areas are as follows:

- Construction (procurement of construction services and site construction risks),
- Financing of development (capital spend),
- Letting of all floorspace (revenue income),
- Site management (revenue spend).

8.1.12 In Option A and D all the risk remains with the Council therefore these options score the lowest. Option C is a partnership approach, so different risks are shared between the partners and this therefore scores higher than options A and D. In the income strip, option E, the investment partner takes construction and finance risk, but council retains letting and site management risks therefore this option scores higher than the JV option. Option B scores the highest as most of the risk is transferred to a third party under this option.

8.1.13 To score the risks set out in Table 10, the impact is multiplied by the likelihood of the risk occurring. These resulting scores are set out in Table 27 below.

Table 27 Risk Scoring

	A: Do nothing	B: Sell with Planning Permission	C: Joint Venture	D: WCC Develops Site	E: Income Strip
Strategic Case	16	4	9	6	9
Economic Case	16	4	4	2	2
Financial Case	8	3	12	12	12
Commercial Case	8	4	6	6	6
Management Case	4	4	9	9	9
Totals	52	19	40	35	38

- 8.1.14 In summary, under the strategic case, options C and E are considered to have greater likelihood of not delivering the strategic options. This is due to the partnership element of these options which is more likely to affect timescales and implementation of the objectives, as more commercial objectives will need to be considered as part of a partnership agreement. The highest risk option however is the 'do nothing' scenario (option A) which does not progress the strategic objectives.
- 8.1.15 For the economic case, again option A has the highest risk; it puts at risk the realisation of economic benefits and ensuring value for money from the implementation of the project. Options B and C are considered to have greater likelihood of not delivering all the economic benefits as under these options an element of control may be passed to a third party, which could result in a change of scope. This is considered less likely for options D and E.
- 8.1.16 The financial risks reflect that options C, D and E are sensitive to changes in retail income and finance rates. Option E (Income Strip) is very sensitive to changes in indexation over the lease period which is a significant risk to the Council's financial position and provision of services.
- 8.1.17 The commercial risk considered is around whether the approach is attractive in the market. Option B has the greatest impact to the Council if there is not a market for the proposed approach on the sale of the site as the Council have the asset but have not progressed the project through design towards delivery. However, it is considered that this risk has the lowest likelihood of occurring as the Carfax is sited in a prime location, has a clear Local Plan allocation for development and concept design established including significant amount of relevant technical work to support it. It is therefore considered a low risk and attractive in the marketplace. Options C to E have different procurement requirements, but are scored similarly in risk impact and likelihood as although there is a market for all procurement approaches, there are risks around the level of interest, or availability for these options.
- 8.1.18 The risk considered in the management case is whether the option is achievable. Within this, resourcing, programme and project management requirements are considered. Option B has a lower risk in that it is considered an achievable solution given existing resources and programme requirements; a sale is achievable. Some risks around immediate resourcing are identified, but are manageable. Options C to E are much more lengthy and complicated processes which raise the risks around resourcing and timescales for delivery. Option B

has the lowest risk in that the current situation continues, but there will remain risks around ongoing maintenance requirements.

8.2 Conclusion of moderation of the options appraisal

- 8.2.1 The options appraisal in Table 26 looked at costs and benefits and 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.
- 8.2.2 The balance with the risks in Table 27 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.
- 8.2.3 When considering the other delivery options, there are significant concerns about the risks 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.

8.3 The Preferred Way Forward

- 8.3.1 As a result of the options analysis in Table 26 and risk moderation exercise in Table 27 it is recommended that all the delivery options remain on the shortlist of option, but that the following options be explored further through the development of the business case during the next stage: 1. Sell with the benefit of planning permission, and 2. Income strip.
- 8.3.2 There are opportunities that can be explored within these options which may add to the realisable benefits resulting from the shortlisted delivery options. This will help establish the final preferred option for the delivery of the Carfax site.

8.4 Recommendations

- 8.4.1 In parallel with the submission of an outline planning application, that the following options be explored through further soft market testing and review of procurement, legal and financial implications as part of the next stage.
- Sell with the benefit of planning permission
 - Income strip
- 8.4.2 There are opportunities that can be explored within these options which may increase the realisable benefits resulting from the shortlisted delivery options, which will be considered alongside risks in particular for the income strip model which may have longer term cash flow risk. This will help establish the final preferred option for the delivery of the Carfax site.

Signed: Ian Charie

Date: 12 March 2019

Ian Charie

Senior Responsible Owner Project, Project Team

9. Supporting Documents

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10. Annexes to Appendix 1

10.1 Annex 1: Economic Appraisal (confidential)

Attached as separate document

10.2 Annex 2: Financial Appraisal (confidential)

Attached as separate document

10.3 Annex 3: Commercial Appraisal (confidential)

Attached as separate document

10.4 Annex 4: 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:

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

	Low (1)	Moderate (2)	Major (3)	Significant (4)
Financial	Less than £20K	£20k or over and less than £200K	£200K or over and less than £2m	£2m plus
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term Statutory duties not delivered
Health & Safety	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
Morale		Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/Unable to attract staff
Reputation	No media attention / minor letters	Adverse Local media Leader	Adverse National publicity	Remembered for years
Govt relations	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			
			Likelihood	Impact		
Agree programme at start of each stage and sign-off amendments with Project Board and Committee members.		Q1 2019	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 (Gilt rate) or other financial/taxation	Full project business case does not achieve commercial and / or financial viability Affects finance, costs, and/or rents Significantly increased cost of borrowing. (This will have a greater	Mitigate 1. 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	Likely	Significant	2	££££

<p>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>impact depending on the degree to which the Council decide to develop the site/s themselves).</p>	<p>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		

Risk Number: 52			Risk Owner: Project Executive			
Risk Title: 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		

Risk Number: 61			Risk Owner: Project Executive			
Risk Title: 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		

10.5 Annex 5: Roles and Responsibilities

10.5.1 The following project reporting structure has been established which is summarised in the table below, including the roles and responsibilities of each group.

Project Reporting Structure

Group	Membership	Responsibilities
Cabinet (Station Approach) Committee	Cllr Steve Miller (Chair) Cllr Stephen Godfrey Cllr Jan Warwick	<ul style="list-style-type: none"> • Approve project plan and milestones • Communicate with stakeholders of the project • Sign off completion of stage and authorise start of next stage • Ensure that required resources are committed
Project Board	SD – Resources Joseph Holmes SD – Place Chas Bradfield Portfolio Holder – Cllr Steve Miller	<ul style="list-style-type: none"> • Responsibility and authority to resolve any issues. • Set the overall business objective for the project • Has overall responsibility for securing resources for the project and responding to changing circumstances • Recommend project closure if appropriate to Project Review Team • Championing the project and raising awareness at senior level • Encouraging change through the organisation. • Ensure that risks are being tracked and mitigated as effectively as possible
RIBA Client Advisor	Sarah Williams	<ul style="list-style-type: none"> • Project Assurance
Project Team	Head of Programme – Ian Charie Project Manager Carfax – Zoë James Project Manager Public Realm – Simon Taylor Assistant Project Manager – Michelle Wells Property, Communication, Finance & Legal Officers And other offices where advice is required (including historic environment, planning etc.)	<ul style="list-style-type: none"> • Manage project and develop supporting information to inform and advise project board • Develop key outputs • Preparation of business cases • Managing budget and project plan
Design Team	Led by Lifschutz Davidson Sandilands (LDS) Architecture, Masterplanning, Principle Designer, BIM Co-	Design team develop proposals to meet brief and manage the project. Responsible for procuring all design services required including the following:

	<p>ordinator/Information Manager Adrian Bower – Lead Consultant Sasha Birksted – Associate Director Alex Lifschutz – Design Vision Duncan Gammie – BIM Co-ordinator</p> <p>Other Design Team Members procured by Winchester City Council: i-Transport – Steve Jenkins Mace (cost consultants) – John O’Neil Vail Williams (Valuers) – Chris Cave Grant Thornton – Financial and Economic Case</p>	<ul style="list-style-type: none"> • Lead Designer • Principal Designer; • Architectural design; • Landscape design; • Civil and Structural Engineer • M&E Engineer • BIM Co-ordinator; • BIM Information Manager; • Master planning including strategic sustainable development advice; • Urban Designer • BREEAM Consultant • Planning consultancy including townscape heritage and visual statement and relevant sustainability statement.
Advisory Panel	<p>Cllr Eileen Berry (EB) – Winchester City Councillor (representative chosen by Cabinet) Cllr Dominic Hiscock (DH) – Winchester City Councillor (representative chosen by Liberal Democrats) Keith Leaman (KL) – City of Winchester Trust representative Rob Mott (RM) – Winchester BID representative Bob Wallbridge (BW) – Hampshire County Council representative</p>	Sounding board for design principles

10.6 Annex 6: RIBA Plan of Work



RIBA

The RIBA Plan of Work 2013 organises the process of briefing, designing, constructing, maintaining, operating and using building projects into a number of key stages. The content of stages may vary or overlap to suit specific project requirements. The RIBA Plan of Work 2013 should be used solely as guidance for the preparation of detailed professional services contracts and building contracts.

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	0	1	2	3	4	5	6	7
Stages								
Tasks	Strategic Definition	Preparation and Brief	Concept Design	Developed Design	Technical Design	Construction	Handover and Close Out	In Use
Core Objectives	Identify client's Business Case and Strategic Brief and other core project requirements.	Develop Project Objectives, including Quality Objectives and Project Outcomes, Sustainability Aspirations, Project Budget , other parameters or constraints and develop Initial Project Brief . Undertake Feasibility Studies and review of Site Information .	Prepare Concept Design , including outline proposals for structural design, building services systems, outline specifications and preliminary Cost Information along with relevant Project Strategies in accordance with Design Programme . Agree alterations to brief and issue Final Project Brief .	Prepare Developed Design , including coordinated and updated proposals for structural design, building services systems, outline specifications, Cost Information and Project Strategies in accordance with Design Programme .	Prepare Technical Design in accordance with Design Responsibility Matrix and include all architectural, structural and building services information, specialist subcontractor design and specifications, in accordance with Design Programme .	Offsite manufacturing and onsite Construction in accordance with Construction Programme and resolution of Design Queries from site as they arise.	Handover of building and conclusion of Building Contract .	Undertake In Use services in accordance with Schedule of Services .
Procurement *Variable task bar	Initial considerations for assembling the project team.	Prepare Project Roles Table and Contractual Tree and continue assembling the project team.	The procurement strategy does not fundamentally alter the progression of the design or the level of detail prepared at a given stage. However, Information Exchanges will vary depending on the selected procurement route and Building Contract . A bespoke RIBA Plan of Work 2013 will set out the specific tendering and procurement activities that will occur at each stage in relation to the chosen procurement route.			Administration of Building Contract , including regular site inspections and review of progress.	Conclude administration of Building Contract .	
Programme *Variable task bar	Establish Project Programme .	Review Project Programme .	Review Project Programme .	The procurement route may dictate the Project Programme and may result in certain stages overlapping or being undertaken concurrently. A bespoke RIBA Plan of Work 2013 will clarify the stage overlaps. The Project Programme will set out the specific stage dates and detailed programme durations.				
(Town) Planning *Variable task bar	Pre-application discussions.	Pre-application discussions.	Planning applications are typically made using the Stage 3 output. A bespoke RIBA Plan of Work 2013 will identify when the planning application is to be made.					
Suggested Key Support Tasks	Review Feedback from previous projects.	Prepare Handover Strategy and Risk Assessments . Agree Schedule of Services, Design Responsibility Matrix and Information Exchanges and prepare Project Execution Plan including Technology and Communication Strategies and consideration of Common Standards to be used.	Prepare Sustainability Strategy, Maintenance and Operational Strategy and Handover Strategy and Risk Assessments . Undertake third party consultations as required and any Research and Development aspects. Review and update Project Execution Plan . Consider Construction Strategy , including offsite fabrication, and develop Health and Safety Strategy .	Review and update Sustainability, Maintenance and Operational and Handover Strategies and Risk Assessments . Undertake third party consultations as required and any other third party submissions requiring consent. Review and update Project Execution Plan , including Change Control Procedures . Review and update Construction and Health and Safety Strategies .	Review and update Sustainability, Maintenance and Operational and Handover Strategies and Risk Assessments . Prepare and submit Building Regulations submission and any other third party submissions requiring consent. Review and update Project Execution Plan . Review Construction Strategy , including sequencing, and update Health and Safety Strategy .	Review and update Sustainability Strategy and implement Handover Strategy , including agreement of information required for commissioning, training, handover, asset management, future monitoring and maintenance and ongoing compilation of 'As-constructed' Information . Update Construction and Health and Safety Strategies .	Carry out activities listed in Handover Strategy including Feedback for use during the future life of the building or on future projects. Updating of Project Information as required.	Conclude activities listed in Handover Strategy including Post-occupancy Evaluation , review of Project Performance, Project Outcomes and Research and Development aspects. Updating of Project Information , as required, in response to ongoing client Feedback and maintenance or operational developments.
Sustainability Checkpoints	Sustainability Checkpoint – 0	Sustainability Checkpoint – 1	Sustainability Checkpoint – 2	Sustainability Checkpoint – 3	Sustainability Checkpoint – 4	Sustainability Checkpoint – 5	Sustainability Checkpoint – 6	Sustainability Checkpoint – 7
Information Exchanges (at stage completion)	Strategic Brief .	Initial Project Brief	Concept Design including outline structural and building services design, associated Project Strategies , preliminary Cost Information and Final Project Brief .	Developed Design , including the coordinated architectural, structural and building services design and updated Cost Information .	Completed Technical Design of the project.	'As-constructed' Information .	Updated 'As-constructed' Information .	'As-constructed' Information updated in response to ongoing client Feedback and maintenance or operational developments.
UK Government Information Exchanges	Not required.	Required.	Required.	Required.	Not required.	Not required.	Required.	As required.

*Variable task bar – in creating a bespoke project or practice specific RIBA Plan of Work 2013 via www.ribaplanofwork.com a specific bar is selected from a number of options.

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