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## ASSET DELIVERY PROGRAMME: INTERIM REPORT

### 1 PURPOSE OF REPORT

- 1.1 This report submits the Strategic Outline Case for a potential Asset Delivery Programme for approval and provides an update on the progress of the Outline Business Case.

### 2 INTRODUCTION

- 2.1 Further to the resolution of the Investment Board on 12 September 2018, officers have convened workshops with the Member Working Party to recommend approval of the Asset Delivery Programme's Strategic Outline Case (SOC) to the Investment Board and to progress the work of the Outline Business Case (OBC).
- 2.2 The Member Working Party comprises Cllrs D S Efde, G J Ioannou, M J Lucas-Gill, D J Sperring and A L Williams.
- 2.3 The Council is following the guidance of HM Treasury designed to take projects from initiation through to delivery: 1) Strategic Outline Case; 2) Outline Business Case; 3) Full Business Case.

### 3 STRATEGIC OUTLINE CASE

- 3.1 HM Treasury guidance specifies that an SOC should demonstrate that the spending proposal provides business synergy and strategic fit and is predicated upon a robust and evidence-based case for change. This includes the rationale of why intervention is required, as well as a clear definition of outcomes and the potential scope for what is to be achieved.
- 3.2 The SOC (exempt Appendix 1) presented to the Investment Board on 12 September 2018 set out various development, delivery and disposal options for the key strategic sites to achieve the objectives of the Council's Asset Strategy (approved by Investment Board on 10 July 2018). The SOC also set out the commercial case for the programme, assuming a very low risk profile, while outlining how the returns from the programme could be improved if the Council was willing to take on greater risk. Crucially, the SOC does not represent the final form of the Asset Delivery Programme. The SOC is a project management tool to confirm proof of concept for the programme. The SOC is intended to validate the scale and nature of opportunities identified through the programme and establish, through a high level of assessment, the best order of prioritisation and delivery options for the identified sites. It is not the final delivery programme.
- 3.3 The analysis undertaken in the SOC (based on the information available at the time of writing) indicates that the Council's proposed strategy of using its existing assets to help cross fund the development of other key strategic sites is sound in principle and that there is merit in progressing to the next stage of an OBC to work up more detailed plans and to obtain further assurance of the

proposed programme. The SOC, therefore, justifies the Council undertaking the work necessary to complete the OBC. It is a pre-requisite of project management that the premise of the SOC is agreed before the OBC is fully commissioned. Failure to do so would result in the OBC being delayed or, ultimately, unable to be completed.

#### **4 MEMBER WORKING PARTY**

- 4.1 Officers have held a series of site visits and workshops with the Member Working Party. Specific workshops were held with our external technical advisers, Gleeds.
- 4.2 The workshops revisited the principles of the agreed Asset Strategy (2018-2028), completed a qualitative scoring exercise for the potential options for each key strategic site, and considered the potential operational requirements for each site as set out in the SOC.
- 4.3 In accordance with HM Treasury guidance and, as advised by Gleeds, a range of options for each site was considered. These were evaluated against a set of qualitative criteria, with clear linkages to the objectives of the Asset Strategy, to assess if they met the Council's objectives. It is standard project management practice for this initial valuation to be qualitative only at this stage to identify those options that have merit to proceed for more detailed financial analysis as part of the OBC, including the whole life capital and revenue costs for the development and operation of the proposed site options, potential capital receipts and potential revenue generating opportunities for the sites. This process means that time and resources are not directed in undertaking further work on options that do not meet the objectives of the Asset Strategy.
- 4.4 The conclusion of the qualitative analysis (Appendix 2) is that the following scenarios match the Council's objectives most closely:

	<b>Highest Scoring Qualitative Option</b>
<b>South Street (3-15)</b>	Re-develop the site for residential development or alternative use and re-provide Council office space on an alternative site.
<b>The Mill Arts and Events Centre</b>	Re-develop the site but retain a suitable proportion of the ground floor for Council and Community uses.
<b>The Freight House</b>	Re-develop the site to provide a new Council main office, Chamber and Community space
<b>The Civic Suite</b>	Re-develop the site for residential development or alternative use and re provide Council office space on an alternative site

- 4.5 The qualitative analysis did not specifically focus on Nos. 19 and 57 South Street, Rochford because these sites are already subject to planning applications for residential development. Options for the use of these sites will be explored as part of the detailed analysis at OBC.
- 4.6 The Member Working Party has indicated to officers that it is satisfied that the SOC does prove that this is a viable project, which requires further detailed analysis, and that it is content that the project should move to the OBC stage. In addition, the Working Party has reviewed, challenged and endorsed the qualitative options appraisal which will form the basis of the detailed OBC that will, in turn, further refine the spatial design, sequencing and development options for the sites. It is proposed, therefore, that the Member Working Party continues to liaise closely with officers as the project moves forward and reviews the preparatory work for the OBC prior to the OBC being presented to the Investment Board on 16 January 2019.
- 4.7 A communication strategy is being developed to capture stakeholder engagement and key messages. The Member Working Party will be an integral part of making that happen.

## **5 NEXT STEPS: OUTLINE BUSINESS CASE**

- 5.1 Officers continue to work with our technical experts to develop the OBC. The purpose of the OBC is to:
- Identify an Asset Delivery Programme that optimises value for money (this is a product of the qualitative analysis already completed and a financial analysis which has yet to be completed);
  - Prepare the Asset Delivery Programme for procurement (if required); and
  - Establish the necessary funding and management arrangements for the successful delivery of the Asset Delivery Programme.
- 5.2 Officers are working with Gleeds to complete the OBC by the end of the calendar year in order that it can be brought to the Investment Board at its January 2019 meeting. It is proposed that the Member Working Party continue to be engaged with the process of OBC development at key stages. This will involve review and challenge of key principles and the value for money assessment; before endorsement of a preferred option for the Asset Delivery Programme.

## **6 RISK IMPLICATIONS**

- 6.1 Treasury Guidance and good practice dictates that projects of this magnitude should record and monitor risks throughout the various stages of business case refinement. The project will assess risk in two ways; optimism bias and a risk log.

- 6.2 Optimism Bias: An allowance added to the costs of the project at the early stages of development. As the project progresses and the level of certainty around the cost of delivery increases, the optimism bias is removed from the project. The project will follow HM Treasury Guidance on the level of optimism bias to be used within the outline business case.
- 6.3 Risk Log: Project specific risks such as cost, programme and political risks will be logged, rated and monitored as the project develops. The approach helps identify and understand the key risks and put in place a risk strategy to mitigate against the impact on quality, pace and certainty of delivery. Where possible, key risks will be quantified, and this risk allowance will be added to the cost of the project in line with guidance.
- 6.4 It should be noted that property development carries inherent risk; the Council should maintain a balanced risk profile which is commensurate with its appetite for risk.
- 6.5 It is vital that robust business cases for each site are developed and that sufficient resource is dedicated to the project, including dedicated project management and delivery resource. This will be fundamental to mitigate the risks associated with a development programme of this magnitude.

## **7 CRIME AND DISORDER IMPLICATIONS**

- 7.1 None

## **8 ENVIRONMENTAL IMPLICATIONS**

- 8.1 None

## **9 RESOURCE IMPLICATIONS**

- 9.1 The cost of preparing the SOC has been contained within existing resources allocated for the Asset Strategy. The cost associated with the next stage of work (OBC and Workplace Strategy) is estimated at c£50,000; The Investment Board approved a drawdown from General Balances to fund this work at its last meeting. It should be noted that further resource will be required to fund the Final Business Case (FBC). However, this cannot be quantified with certainty at this time and this will, therefore, be subject to a further request in a later report.
- 9.2 As set out at paragraph 4.3 the SOC has been prepared in accordance with HM Treasury guidance. It is standard project management practice for the initial valuation be qualitative only at the SOC stage in order to identify those options which have merit to proceed for more detailed financial analysis as part of the OBC, including the whole life capital and revenue costs for the development and operation of the proposed site options, potential capital receipts and potential revenue generating opportunities for the sites. This process means that time and resources are not directed in undertaking further work on options which do not meet the objectives of the Asset Strategy.

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**10 LEGAL IMPLICATIONS**

- 10.1 There will be a requirement to comply with procurement regulations including the Public Contract Regulations 2015. The Council will engage with external legal advisers for expert technical advice and support which will be reported accordingly at each stage.

**11 EQUALITY AND DIVERSITY IMPLICATIONS**

- 11.1 An Equality Impact Assessment (EIA) has been completed and there are not considered to be any equality and diversity implications at this stage. Further EIAs will be undertaken as the project develops.

- 11.2 It is proposed that the Board **RESOLVES**

- (1) That the Strategic Outline Case for a potential Asset Delivery Programme at exempt appendix 1 be approved.
- (2) That the outcomes of the Member Working Party workshops at appendix 2 be approved.
- (3) That officers continue to prepare the Outline Business Case in consultation with the Member Working Party.



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**Background Papers:-**

None.

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