

REPORTS FROM THE EXECUTIVE AND COMMITTEES TO COUNCIL

REPORT OF THE INVESTMENT BOARD

1 OUTLINE BUSINESS CASE: ASSET DELIVERY PROGRAMME

- 1.1 This item of business was referred by the Investment Board on 16 January 2019 to Council with recommendations relating to approval and publication of the Outline Business Case (OBC) for the Asset Delivery Programme and funding required from General Balances to progress the Programme to Full Business Case stage.
- 1.2 An extract of the key elements of the report of the Section 151 Officer and Assistant Director, Commercial Services to the Board is attached at appendix 1. The draft outline business case is provided separately (exempt appendix A).
- 1.3 The Investment Board noted that:-
 - Once expressions of interest submissions from prospective tenderers were received at the Pre-Qualification Questionnaire (PQQ) phase of the procurement process, it was likely that around three companies would be progressed through to the detailed tender stage.
 - The Council could bid for any applicable regeneration grants that are available, if appropriate, at the time.
 - In terms of the commitment in the Council's business plan objective of maximising assets with regard to social purpose, the proposals in the OBC were on a policy compliant basis in terms of the affordable housing requirement. The preferred option in the OBC included a refurbished community space for the Council and community use at the Freight House and a new Council main office at this site. It also included the redevelopment of a suitable proportion of the ground floor of the Mill Arts and Events Centre site for Council and community use. The Council's Asset Strategy and Asset Disposal framework set out the Council's approach to asset development and disposal.
 - A Member commented that, although it was recognised that working practices would be improved as a result of the development proposals, the stated saving of £330,000 that could be achieved each year on the current running costs of assets could equally be achieved by the sale of the two properties.
 - The OBC set out that there will be a net cost of circa £600,000, based on current assumptions, to fund the programme. The capital receipts from the

disposal of Council assets might not be available in time to fund the cost of development of the new build. The Council had sufficient reserves to bridge this funding gap; alternatively, it could choose to use short-term borrowing. A decision would be made at the appropriate time.

- As the Council no longer had a Housing Revenue Account, it could not hold housing stock directly. Operationally, the Council was not set up to run a housing company on a scale that would be financially viable. Therefore, the Council would not be able to develop and operate social housing directly in order to increase the stock of social housing in the District. However, when the Council's sites come up for disposal, housing providers would be notified as per the Council's Disposal Framework.
- The approach to risk and optimism bias in the project, and how these are addressed and mitigated against, was detailed within the OBC. A prudent approach towards risk management and optimism bias had been followed when forecasting the financial implications of the programme.
- The preferred option for the programme of works provided for a flexible space at a redeveloped Mill Arts and Events Centre site being retained as a community hub, which would provide residents with community facilities in a town centre location. Similarly, the Freight House would provide community areas in a flexible chamber space.
- Option 2 offered the best way of delivering sustainability for the Council, by reducing future running costs by circa £300,000 per year compared to the Do Minimum option.
- Part of the PQQ stage of the procurement process was a review of the financial statements and track record of companies bidding to be the Council's development partner. This would reduce the likelihood of the contractor exceeding the budget agreed under the terms of the contract. The Council was unlikely to use one of the very large organisations, which would tend to take on high-risk contracts, due to the size of the programme
- Although consideration had been given to selling and developing the sites in-house, officers and the Member Working Party had concluded that this represented too high a risk for a local authority of the size of the Council, with no track record of delivering such a programme and without the resources required in-house. Other Councils that had undertaken self-build projects were larger than Rochford District Council and had experience in large-scale developments. A developer would expect to make 15-20% profit on the project, which was considered to be commensurate with the risk involved.

- The OBC set out in detail the proposals for the provision of community facilities and services during the project period (following disposal of the assets but before the new builds were operational).

2 RECOMMENDATION

2.1 It is proposed that Council RESOLVES

- (1) That the outline business case for the Asset Delivery Programme, as set out in exempt appendix A, be approved and published (with appropriate redaction).
- (2) That a further £298,200 be drawn down from General Balances to fund the resources required to progress the programme to full business case stage.

If you would like this report in large print, Braille or another language please contact 01702 318111

OUTLINE BUSINESS CASE: ASSET DELIVERY PROGRAMME

1 PURPOSE OF REPORT

- 1.1 To seek approval of the Outline Business Case for the Asset Delivery Programme.
- 1.2 To seek approval to progress the Asset Development Programme through a procurement process to select a development partner.

2 INTRODUCTION

- 2.1 The Strategic Outline Case (SOC) was noted by the Investment Board on 14 November 2018. Further to this, officers, in consultation with the Member Working Party, have prepared an Outline Business Case (OBC) for the Asset Delivery Programme (the Programme), at the exempt Appendix to this report.

2.2 MEMBER WORKING PARTY

- 2.3 The Member Working Party has operated since the inception of the Programme and has been consulted in the formulation and drafting of several key strategic documents; namely, the Council's Asset Strategy, the SOC and latterly the OBC.
- 2.4 A number of site visits, workshops and meetings have been held with the Member Working Party, with guidance provided by the Council's external technical experts, Gleeds, to deliver the objectives as set out in the Council's Business Plan and Asset Strategy.

3 TECHNICAL SUPPORT AND GUIDANCE

- 3.1 Officers engaged the services of a leading property and construction firm, Gleeds, via a pre-procured framework arrangement. Gleeds have completed similar work for many other local authorities seeking to rationalise their property portfolios and secure operational efficiencies.
- 3.2 Gleeds follow the HM Treasury three stage model designed to take projects from initiation through to delivery: 1) Strategic Outline Case; 2) Outline Business Case; 3) Full Business Case. The initial SOC forms the basis for a more detailed financial and commercial analysis within an OBC before a Full Business Case is developed.

4 ASSET STRATEGY

- 4.1 The Council has a clear vision, set out in the Asset Strategy (the Strategy) of:

'An optimised asset base that is fit for purpose, delivering capital receipts to help fund future investment and revenue income streams where appropriate,

enabling quality service delivery for residents and visitors through a sustained programme of transformation'

- 4.2 The Strategy sets out the Council's priorities for its asset portfolio, taking into account the Council's strategic objectives (as set out in its corporate business plan) and the financial challenges it faces over the next ten years. The Strategy provides a clear framework against which future decisions about the Council's assets can be assessed.
- 4.3 The Council has limited resources and is faced with the challenge of applying these in the most effective manner to a relatively large number of sites that it owns. The Council needs to drive value and efficiency in its property portfolio, addressing inefficiency and, potentially, reducing its operational footprint. The Council needs to have a 'right sized' property portfolio and property function as part of a holistic and balanced approach to improving front line services that best exploits property as a facilitator for customers to access Council services.
- 4.4 In addition, the way in which the Council, its officers, its residents and business occupiers use operational spaces continues to evolve and reflects the use of digital technology. The Council's property portfolio must be similarly future-proofed.

5 ASSET DELIVERY PROGRAMME

- 5.1 The Programme brings together the Council's key strategic sites in an affordable and deliverable programme to deliver the Council's objectives as set out in the Asset Strategy.
- 5.2 The Programme is a 'Gold' Council project and has been subject to the Council's internal governance framework through the Project Management Office and regular reports to the Investment Board regarding progress against milestones, status, budgetary control and risk.

6 STRATEGIC OUTLINE CASE

- 6.1 The SOC for the Programme set out the various development, delivery and disposal options for the key strategic sites to achieve the objectives of the Asset Strategy. The SOC also set out the commercial case for the programme, assuming a low risk profile, while outlining how the returns could be improved if the Council was willing to take on greater risk. Crucially, the SOC did not represent the final form of the Asset Delivery Programme.
- 6.2 The SOC is a project management tool to confirm proof of concept. The SOC validated the scale and nature of opportunities identified through the programme and established, through a high-level assessment, the best order of prioritisation and delivery options for the sites, which would be the subject of further detailed work as part of the OBC.

- 6.3 The SOC was noted by Members at the meeting of the Investment Board on 14 November 2018.

7 OUTLINE BUSINESS CASE

7.1 The purpose of the OBC is to revisit the options identified in the SOC, to identify the 'Preferred Option' following more detailed appraisal; and to set out the emerging commercial case while confirming affordability and putting in place the management arrangements for the successful delivery of the project.

7.2 The OBC can be broken down into five different cases which are interconnected but distinct (namely, the strategic, economic, financial, commercial and management aspects of the case). The OBC enables the Council to determine that proposals:

- Are supported by a robust case for change – the 'Strategic Case';
- Optimise value for money – the 'Economic Case';
- Are commercially viable – the 'Commercial Case';
- Are financially affordable – the 'Financial Case'; and,
- Can be delivered successfully – the 'Management Case'.

7.3 The OBC is not the final delivery plan, it sets the parameters and assumptions around which the next phase of the project planning will be based, i.e., the procurement phase, culminating in production of a Full Business Case.

8 SUMMARY OF THE FIVE CASES OF THE OBC

8.1 The intended Programme as set out in the OBC is comprised of a number of significant, complex and integrated projects. The information below is intended as a guide and should be considered in the context of the full information contained within the OBC.

8.2 STRATEGIC CASE:

The purpose of the strategic case is to make the case for change and to demonstrate how it provides strategic fit with the Council's objectives. The key strategic sites are identified within the Council's Asset Strategy and were selected by applying the principles of the Strategy to demonstrate the sites' potential to deliver the objectives of the strategy. The key strategic sites included within the project are:

- 3-15 South St, Rochford: The Council's main office accommodation in Rochford
- 19 South St, Rochford: Additional Council office accommodation
- 57 South St, Rochford: Derelict site
- The Mill Arts & Events Centre, Rayleigh: Arts & events venue

- The Freight House, Rochford: Conference & events venue
- The Civic Suite, Rayleigh, Council office accommodation and Member Chamber

8.3 The Programme seeks to identify options for each site to deliver against the objectives set out the Council's Asset Strategy (2018-2028).

- **Financial:** To reduce ongoing revenue costs, address risk of future cost pressure and to generate revenue income streams from the Council's assets where appropriate.
- **Regenerational:** To improve the local area and facilities for residents and businesses
- **Transformational:** To create fit-for-purpose office accommodation for Members, Council staff and key partners

9 ECONOMIC CASE

9.1 The economic case assesses the long-term revenue and capital costs of each of the options for the sites and compares the options on a Net Present Value¹ (NPV) basis. To compare all options on a like for like basis, the assumption within this business case is a 30-year project life and a discount rate of 3.5% on the underlying cashflows, as per the standard Treasury Green Book model.

9.2 A long list of options for the key strategic sites was developed, and then refined into a short list of options that have the potential to meet the Council's requirements as defined in the Asset Strategy.

9.3 This refinement has been developed through a series of workshops and meetings with Council officers and the Member Working Party to explore and understand the operating requirements in a greater level of detail.

9.4 The conclusion of the qualitative analysis is that the following scenarios match the Council's objectives most closely:

Table 1: Highest scoring qualitative option by site.

	Highest Scoring Qualitative Option
South Street (3-15)	Re-develop the site for residential development or alternative use and re-provide Council office space on an alternative site.
The Mill Arts and Events Centre	Re-develop the site but retain a suitable proportion of the ground floor for Council and Community uses.

¹ NPV is the difference between the present value of the future cash flows from an investment and the amount of the investment – a way of calculating the financial viability of a project.

The Freight House	Re-develop the site to provide a new Council main office, Chamber and Community space.
The Civic Suite	Re-develop the site for residential development or alternative use and re provide Council office space on an alternative site.

- 9.5 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.
- 9.6 In light of the conclusions from the qualitative analysis outlined above, further quantitative analysis was then undertaken as part of the OBC on options that could fulfil the preferred scenarios. Three options for integrated programmes of works were appraised:
- 1) **Option 1: 'Do minimum'** i.e. carry out works to address the current condition within the buildings and carry out minor refurbishment.
 - 2) **Option 2: Consolidate the Council's main office accommodation at Freight House**
 - 3) **Option 3: Consolidate the Council's main office accommodation at The Mill Arts and Events Centre**

Table 2: Integrated options by site:

Site	OPTION 1 Do Minimum	OPTION 2 Consolidate at Freight House	OPTION 3 Consolidate at The Mill Arts & Events Centre
3-15 South Street	Refurb for ongoing Council use	Disposal and re-development	Disposal and re-development
19 South Street	Disposal and re-development	Disposal and re-development	Disposal and re-development
57 South Street	Disposal and re-development	Disposal and re-development	Disposal and re-development

Site	OPTION 1 Do Minimum	OPTION 2 Consolidate at Freight House	OPTION 3 Consolidate at The Mill Arts & Events Centre
The Mill Arts and Events Centre	Continue to operate, post current leisure contract	Disposal and re-development but retain a proportion for community use and Council touch down space	Develop new building for the Council (office and Chamber) and community use
The Freight House	Continue to operate post leisure contract	Refurb and new build extension for Council (office and Chamber) and community use	Continue to operate post leisure contract
The Civic Suite	Refurb for ongoing Council use	Disposal and re-development	Disposal and re-development

- 9.7 In all cases, the term ‘disposal’ is intended to mean the sale of the site on a freehold or materially unencumbered long-leasehold basis, allowing the site to be re-developed for residential and/or commercial uses (alongside any retained Council/community functionality), the interest in which may be sold on to retail managers or private homeowners.
- 9.8 In making value-based decisions, HM Treasury guidance recognises the value and usefulness of monetising qualitative scores to establish a clearer basis for understanding the relationship between project cost and the evaluated benefits.
- 9.9 This is achieved by using the NPV analysis and quality scores to produce an NPV cost per benefit point figure. The lower the cost per benefit point, the more effective the option. This analysis is set out in the table below.
- 9.10 Table 3: Summary of qualitative and quantitative analysis.

	OPTION 1 Do Minimum	OPTION 2 Consolidate at Freight House	OPTION 3 Consolidate at The Mill Arts and

			Events Centre
Qualitative Score	52	114	96
Cost NPV	£10.1m	£5.3m	£8.9m
Cost per Benefit Point	£194,231	£46,491	£92,708
Rank	3	1	2
Differential from Best Option	317%	-	99%

9.11 The analysis illustrates that Option 2, representing the consolidation of the Council operations at the Freight House (i.e. refurbishment of existing asset and new build extension), generates the lowest cost per benefit point at £46,491, lowest NPV score and highest qualitative score; this option is therefore the 'Preferred Option'.

9.12 The second ranked option, consolidate at The Mill Arts & Events Centre, has a differential of 99% compared to the preferred Option. The analysis also demonstrates that option 1, 'Do minimum' is the most expensive option.

10 COMMERCIAL CASE

10.1 The purpose of the commercial case is to ensure the commercial viability of the Programme. It sets out the planned approach that the Council will take to ensure the successful delivery of the preferred scheme. This will include developing a commercially robust procurement phase that achieves a best value for money solution for the Council and enables the Council to achieve its strategic objectives.

10.2 The European Public Contracts Directive is transposed into UK law by the Public Contracts Regulations 2015. It governs the procurement activities of public sector bodies and stipulates when an EU compliant procurement process must be undertaken.

10.3 The value of the works on the Freight House, combined with the Council's appetite to have influence over the development content on the Mill Arts and Events Centre site, will require an EU compliant procurement exercise to take place.

10.4 The European Union (Withdrawal) Act 2018 means that, in the event of Brexit, the requirements are unlikely to materially change post-March 2019.

- 10.5 The procurement phase will run from January 2019 to contract award in November 2019, a planning application process will then begin in early 2020, it is anticipated to complete the programme in Spring 2023. This indicative timeline will be reviewed following the outcome of soft market testing and throughout the dialogue phase.
- 10.6 The procurement phase above represents a challenging timetable that will require a robust and efficient governance process to be followed as set out within the OBC.

11 FINANCIAL CASE

11.1 The financial case sets out the affordability of the project and how it will be funded.

11.2 Revenue Costs

The estimated revenue costs of the Preferred Scheme have been compared against the Do Minimum option, as summarised in the table below. This demonstrates that the Preferred Option could generate ongoing annual revenue savings of in excess of £300,000 per annum for the Council compared to the Do Minimum option. This is based on the assumption that the Council’s future revenue costs under the Do Minimum option would increase from current annual expenditure levels in order to maintain the current office accommodation at recognised industry standards.

Table 4: Revenue costs:

	30 Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
		2020	2021	2022	2023	2024	2025	2026
DO MINIMUM								
Running Costs	16,407,815	179,500	179,500	446,500	446,500	446,500	588,373	588,373
Net New Income	-	-	-	-	-	-	-	-
	<u>16,407,815</u>	<u>179,500</u>	<u>179,500</u>	<u>446,500</u>	<u>446,500</u>	<u>446,500</u>	<u>588,373</u>	<u>588,373</u>
PREFERRED SCHEME								
Running Costs	7,750,322	179,500	179,500	263,976	263,976	263,976	263,976	263,976
Net New Income	(107,125)	0	0	21,908	23,769	(5,877)	(5,877)	(5,877)
	<u>7,643,198</u>	<u>179,500</u>	<u>179,500</u>	<u>285,884</u>	<u>287,745</u>	<u>258,099</u>	<u>258,099</u>	<u>258,099</u>
VARIANCE								
		-	-	160,616	158,755	188,401	330,274	330,274

11.3 Capital Funding

The capital profile of the Preferred Option is set out in the table below. The table demonstrates that the project has a net capital funding requirement from the Council of £0.6m which represents a capital cost of £3.4m partially offset by capital receipts of £2.8m. This represents a change from the SOC, which determined that the overall programme would be broadly cost neutral in capital terms. This change is mainly driven by the inclusion of allowances for risk and optimism bias when preparing the financial estimates for this OBC, in accordance with best practice and HM Treasury Guidance. As the programme progresses and the level of certainty around the cost of delivery increases, the optimism bias will reduce.

11.4 The net capital funding requirement of £0.6m could either be funded from the Council's reserves or through borrowing. As the Council currently has sufficient resources within its Hard/Soft Infrastructure Fund Reserve (which were set aside for this purpose), at this stage it is not anticipated that any long-term borrowing would be required. Shorter term cash requirements will depend on the delivery profile of the Programme; in particular when capital receipts are realised, and it is possible borrowing could be required to fund works during the delivery phase. Member approval would be sought before any borrowing was undertaken, in line with Council's Capital and Treasury Management Strategy

11.5 Table 5: Capital funding

	TOTAL	Year 1	Year 2	Year 3	Year 4	Year 5
		2020	2021	2022	2023	2024
CAPITAL						
Cost	3,455,590	863,897	2,591,692	-	-	-
Receipts	(2,832,533)	(276,933)	(1,706,400)	(849,200)	-	-
Net	623,057	586,964	885,292	(849,200)	-	-
Cumulative		586,964	1,472,257	623,057	623,057	623,057

milestones. Going forward it is proposed that the governance structure will be as follows:-

12.2 Programme Board: A new Programme Board comprising Members and officers, with the relevant Portfolio Holders will be established. This will form the key day-to-day governance arrangements, liaising with the Investment Board as may be appropriate in the event of unexpected change. The Programme Board is expected to meet immediately prior to key milestones or as may be sought by the Senior Responsible Officer (SRO). The SRO is the owner of the programme, accountable for successful delivery and is recognised throughout the organisation as the key leadership figure in driving the programme forward. Support from senior peers, in this case the Council's Managing Director and Strategic Director, other members of the

Leadership Team and the allocation of appropriate resources will be crucial to enable the SRO to be effective and deliver the programme.

- 12.3** Member Working Party: The Member Working Party will continue to operate in an advisory capacity. It is intended that it provides guidance and opinion to the SRO through the process and minimise the risk of the project developing in a manner inconsistent with Member expectations without placing Members in a position of conflict in formal decision making. The Member Working Group will meet on a regular basis throughout.
- 12.4** Project Team: The Project Team will comprise the SRO, Project Management function and the technical subject matter experts i.e. legal, financial, development and procurement. The Project Manager is a new resource that has been identified to ensure effective operational programme delivery. The Project Manager will report to the SRO.
- 12.5** A programme of this size and complexity will require professional advice and guidance to support the SRO, including but not limited to legal, financial and project management aspects to enable the procurement phase to be completed. The recommended level of resource is commensurate with a project of this scale and has been market tested and therefore represents value for money for the Council.

13 OBC CONCLUSION

- 13.1** The proposed Programme as set out in the OBC is planned to be a highly integrated set of projects delivered over a four-year period, anticipated to complete in spring 2023. The critical project in this programme is the redevelopment of the Freight House (refurbishment and new build) as the Council's long-term office accommodation and civic space, as this in turn enables the development of The Mill Arts & Events Centre and the disposal of the existing accommodation on South Street and the Civic Suite site. Other sites will be disposed of (on a materially non-encumbered long lease or freehold arrangement) as early as possible in the programme to fund the Freight House works.
- 13.2** Based on current financial analysis the Programme is anticipated to reduce future running costs by c£0.3m p.a. compared to the Do Minimum option and will therefore support delivery of the Council's Medium Term Financial Strategy, as well as supporting wider transformational objectives. It is intended that the Programme will be mainly financed from capital receipts realised from the disposal of surplus sites; the residual capital funding requirement of c£0.6m will be met from Council Reserves, with the possibility that some short-term borrowing may be required to manage cashflow requirements over the delivery phase of the Programme.

14 NEXT STEPS: FULL BUSINESS CASE

- 14.1** The OBC sets the parameters and assumptions around which the next phases of the project planning will be based i.e. project assurance, the

procurement phase during which a development partner will be selected and culminating with the production of a Full Business Case.

15 ASSURANCE REVIEW

- 15.1 Assurance is an essential element of strong governance; it is a process that provides an independent assessment of the health of the project. Local Partnerships is owned by HM Treasury and the Local Government Association and offers professional support to public bodies in the review of strategic projects. In the Assurance field, Local Partnerships is the only provider of Assurance services accredited by Government to deliver full Office of Government Commerce (OGC) Gateway Reviews to Local Government and other local public bodies.
- 15.2 Assurance reviews are peer reviews carried out at a key point in the life of a project. They are carried out by trained and experienced practitioners. Reviews consist of a series of interviews with stakeholders preceded by key document review and followed by a short, focused report with findings and recommendations delivered to the SRO. Assurance Reviews offer informed constructive challenge and recognise good practice as well as setting out areas for improvement and recommendations for success.
- 15.3 It is recommended that an Assurance Review is completed on the project in early 2019 with any recommendations being addressed before the procurement process is begun.

16 DELIVERY OPTIONS AND PROCUREMENT

- 16.1 It is recommended that the option of the Council self-developing is ruled out. This is a high-risk option for the Council and would require a significant amount of additional development expertise and resource. The Council does not currently have this in place and the recruitment of the resource and the risk involved within the development would be prohibitive.
- 16.2 The preferred option is to take joint development risk with a development partner. The Council could then draw on their expertise and experience in this market.
- 16.3 There is also the potential for the developer to part finance the programme (at a cost) The actual structure would be tested in greater detail during the dialogue process during procurement.
- 16.4 Prior to the formal procurement phase a Soft Market Testing (SMT) exercise will be completed. This will allow officers to test market interest. Soft Market Testing is an informal, and confidential, conversation with sections of the market during which officers would test market appetite and understand any innovation which the market could bring to the discussion.

- 16.5 This informal dialogue takes place before formal procurement and so the rules around how it is carried out and with whom are more relaxed. Following conclusion of SMT a formal procurement phase will begin, this step involves both revisiting and updating the strategic case and economic case dimensions of the business case to confirm the current situation in terms of the case for change and the continued efficacy of the preferred option following the procurement exercise.
- 16.6 The OBC sets out the procurement phase timetable; it is a challenging timetable that will require a robust and efficient governance process to be followed.

17 FULL BUSINESS CASE

- 17.1 The purpose of the Full Business Case (FBC) is to revisit the OBC and record the findings of the subsequent procurement activities; together with the recommendation for an affordable solution that continues to optimise value for money, and identify detailed arrangements for the successful delivery of the plan.
- 17.2 The FBC will include:
- The Strategic Case – revisited and revised if required.
 - The Economic Case –the findings of the procurement included in the analysis and recorded;
 - The Commercial Case – the delivery mechanism finalised;
 - The Financial Case – affordability and funding issues resolved;
 - The Management Case – the detailed plans for governance and arrangements for the realisation of benefits, management of risk; and post evaluation are recorded.
- 17.3 Much of the work involved in producing the FBC focuses upon revisiting and updating the conclusions of the OBC and documenting the outcomes of the procurement fine tuning and awarding the final contract. The FBC will be the subject of a further report to the Investment Board.

18 COMMUNICATION AND STAKEHOLDER ENGAGEMENT

- 18.1 A Communication and Stakeholder Engagement Strategy has been drafted; this will ensure key messages are communicated to stakeholders at appropriate milestones.

19 RISK IMPLICATIONS

- 19.1 Treasury guidance dictates that projects such as this 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 assessment log.

- 19.2 Optimism Bias: This is an allowance that is 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 reduced or removed from the project. The project will follow HM Treasury Guidance on the level of optimism bias to be used within the OBC.
- 19.3 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.
- 19.4 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.
- 19.5 It is vital 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.

20 CRIME AND DISORDER IMPLICATIONS

- 20.1 None.

21 ENVIRONMENTAL IMPLICATIONS

- 21.1 None.

22 RESOURCE IMPLICATIONS

- 22.1 The Financial Case for the proposed Programme is set out in the OBC and summarised at paragraphs 11.1 to 11.5 above. Further detailed financial analysis will be undertaken at FBC stage to ensure the Programme remains affordable and represents Value for Money to the Council.
- 22.2 In order to deliver a Programme of this size and complexity to FBC stage additional resources will be required as summarised in the table below. This includes professional advice and guidance such as legal, financial and project management resources to enable the procurement phase to be completed. The level of resource required is commensurate with similar projects of this scale and will be procured in accordance with the Council's financial and procurement regulations to ensure it represents Value for Money.
- 22.3 Of these amounts £24,500 relates to work that will need to be carried out before the procurement stage commences and, as such, will be incurred before this report is referred to Full Council for approval to progress to FBC stage. In line with the Council's Financial Regulations, the Section 151 Officer, in conjunction with the Leader of the Council, is authorised to approve

supplementary estimates of up to £50,000 and, therefore, the £24,500 will be drawn down from General Balances to enable the required due diligence to be completed during January/February 2019.

Cost Type	Detail	Budget Required Pre Procurement Phase £	Budget Required to Complete to FBC Stage £	Total Budget Required £
Technical Advice	Gleeds to be commissioned to support the Programme to FBC stage	12,500	67,500	80,000
Legal Advice	Independent legal advice and evaluation of procurement options		100,000	100,000
Design Advice	Independent assessment of design proposals		7,500	7,500
Project Management Resource	2 days p.w. of PM support for 1 year plus 1.5 days p.m. of project assurance/strategic advice		73,200	73,200
Finance Advice / resource	Independent financial advice / additional resources to support evaluation		50,000	50,000
Gateway/Review Fee	LGA fee	12,000	-	12,000
		24,500	298,200	322,700

23 LEGAL IMPLICATIONS

23.1 If the preferred option is to seek a development partner, there is a requirement to comply with the procurement regulations. In order to ensure that the process is efficiently and robustly carried out, especially given the challenging timetable, external legal advisors with technical expertise of the procurement process will be required to assist and support the Council.

23.2 The legal advisors will undertake and support the procurement process, including preparation of the OJEU notice and tender documents, preparation of legal documents, evaluating the criteria and negotiation and full support during the competitive negotiation process.

24 PARISH IMPLICATIONS

24.1 None.

25 EQUALITY AND DIVERSITY IMPLICATIONS

- 25.1 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.