

**Appendix 2**

**Action Plan from 2019/20 External Assurance Review, Western Way Development – Update**

	<b>Consultant's (i.e. Rider Levett Bucknall) Recommendation (Dec 20)</b>	<b>Council's Original Assessment of Residual Risk (Jan 20)</b>	<b>Update Feb 2021</b>	<b>Further Action Required</b>	<b>Council's Assessment of Residual Risk (June 21)</b>	<b>Timing</b>
1	A revised financial model should be created for internal use only with greater visibility of wider cost inputs to allow a variety of scenarios to be tested. This would be separate to the existing financial model within the FBC.	<b>Low</b>	Actioned as part of new financial model being used to support remainder of project.	Maintain model going forward.	<b>Closed</b>	Not applicable
2	There are no obvious alternative funding sources [to a PWLB loan] for the development and, as the risk of funding a negative cashflow position remains the greatest challenge to the long-term success of the project, it is recommended that alternative capital input routes continue to be explored. The option for partners to undertake a "land-for-equity" swap may be an option, as might their disposal of their sites with capital receipts ploughed into the development.	<b>Low</b>	Options for borrowing are kept under review. The robustness of the Council's role is still being tested in the context of acting as sole developer. Also, options for collaboration with a private developer and third party funding to be kept under review as project progresses.	Continue to explore alternative funding sources in the market and with partner organisations, in accordance with the adopted financial principles in the business case.	<b>Low</b>	Ongoing but to be clarified no later than award of final contract
3	The LEP indicated a willingness in principle to consider applications to support the development. If they could provide a level of support that reduced or removed the negative position or were able to underwrite any shortfall in the balance of repayments of the loan, that would remove the greatest risk to WSC on this project.	<b>High</b>	Given delay to Comprehensive Spending Review, the LEPs are still without clarity on funding for their project pipeline. However, NALEP continue to express strong support for the project, and it is in their project pipeline if they did get funding. In the meantime, continue to model as if no external funding is available to ensure necessary pessimism bias in decision-making.	Continue dialogue with LEP(s).	<b>High</b>	Ongoing but to be clarified no later than award of final contract
4	The main benefits of undertaking this project are set out in the Strategic Business Case. These are not significantly reviewed in the FBC nor has an attempt been made to quantify them. Consideration should be given to undertaking a Socio-Economic impact assessment to quantify the benefit to WSC and partners and the community they serve in undertaking this project.	<b>Low</b>	It was always expected that such analysis could be needed for external funding bids, particularly to the LEPs, and this remains the case. However, confirmed through discussion with the Suffolk Office of Data & Analytics (SODA) and the Council's policy team, preparing a bespoke analysis proactively is likely to be complex and expensive. Particularly in the context that the strategic case for the various aspects of the project already have been accepted universally by project partners e.g. the creation of hubs sought in the local NHS estates strategy.	Work with partners to develop a socio-economic impact assessment prior to any external funding bids being made, and commission support to do this from within existing budgets if necessary.	<b>Low</b>	If required by funding bids
5	The process and timescales for obtaining approval for the relocation of NHS services should be investigated with partners together with developing an understanding of any interfaces or restrictions on	<b>Medium</b>	See main report. This is already a requirement of the Council's FBC approval and a pre-condition for starting any work on tender packs. Having funded specialist input to the project to date, the NHS continues to lead	Secure NHS sign-up prior to starting work on tender pack	<b>High</b>	Before next stage of project starts

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	their ability to enter into lease arrangements during the consultation process. This should be combined with confirming the current level of involvement and support from regional NHS England office.		the making of its own business cases to participate in the project. NHS partners are aware of the project timetable and are liaising closely with the Council.			
6	Commitment from partners to underwrite the design development costs of the areas they intend to occupy should be obtained by WSC prior to commissioning the next phase of work to avoid the risk of WSC being liable for abortive design fees in the event the leases are not taken up.	<b>High</b>	This is already a requirement of the Council's FBC approval and a pre-condition for starting any work on tender packs. Work is well progressed with partners to provide this clarity (see other sections of this report).	Confirm sign-up of public partners in respect of their phase 1 requirements and meeting abortive costs before work proceeds on tender packs, in accordance with existing Council authority. Heads of terms and pre-let agreements also to be required for later gateways.	<b>High</b>	Before next stage of project starts
7	The project contingency is at the lower end of what would typically be expected at this stage of a project. This would normally be in the range of 5-20%. It is recommended that the contingency levels are reviewed.	<b>Low</b>	The cost plan already had contingency plus other risks built into the estimates for certain packages, and the contingencies and safeguards in financial model have been reviewed in the updated model presented in this report.	Keep under review as project progresses and achieve savings from other areas if contingency needs to increase.	<b>Low</b>	Jan 2020
8	It is normal for a developer to hold a developer's contingency of 5-10%, outside of the project contingency. It is recommended that this is reviewed at the same time as the overall project contingency.	<b>Low</b>	Such a contingency would be for addressing change to the scope or strategy for the project, or to allow the developer to adapt to revenue risks or opportunities. It is understood why a commercial developer would normally want to hold such a contingency. However, as a public body, the Council wouldn't normally create such a developer contingency because it is using public funds and doing so would have an opportunity cost. The Council also has access to general reserves and has an annual budget setting process, with flexibility to make in-year changes. Therefore, if the Council wanted to adapt the scope or strategy for the WWD project agreed by Council it would need to go back to Council with a	Maintain strong project controls	<b>Closed</b>	Not applicable

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			revised business case and seek approval accordingly. This discipline will be provided by standard project governance controls and the Council's financial regulations.			
9	Alternative uses for large volume spaces should continue to be pursued. The opportunities of having the College, leisure centre and potential employers in close proximity to each other should provide some opportunities. Pop-up uses around community events, training and performance are all potential options.	<b>Medium</b>	Pop-up uses of The Street are a key part of the plan for the building and incorporated in the financial model. Irrespective of any phasing strategy adopted, seeking temporary uses of spaces awaiting a long-term tenant also makes eminent sense, as this will not only assist in meeting holding costs and/or managing cash-flow risk but also create community benefit. Permanent alternative uses of spaces will also be considered if things change after phase 1 space allocations are made. However, there is a trade-off in financial terms because equipping spaces to take temporary uses will require a 'Category A' finish rather than 'shell and core' and could also trigger business rates even if empty. As such, the safer strategy is likely to be minimise the amount of temporary uses required and look to a phased approach.	Incorporate planning for temporary uses into the next stage of design and wider project development and marketing.	<b>Low</b>	During next stage of the project
10	Greater use of the option of deferring the Cat-A fit-out and constructing to shell and core only should be considered to defer capital spend, reduce risk and waste. This could be undertaken later as part of a landlord's contribution to the tenant fit-out.	<b>Medium</b>	A significant proportion of the office accommodation was already modelled to a shell and core level only in September 2019 for the Final Business Case as a way to mitigate the cash-flow for the project, and this principle would be carried forward if applicable. See main report regarding phasing.	None	<b>Closed</b>	Not applicable
11	The option of a reduced size build should be considered and costed to inform decision making. Reducing the building size by a third will not reduce the total project cost by a third, but the implications need to be understood so they can be properly evaluated and the impact on the borrowing and repayment levels understood.	<b>Medium</b>	See main report. This potential flexibility in the adopted design was a key part of its approval, although it was important to obtain planning consent for the maximum potential extent of the scheme. This is currently the most likely option (see main report).	None	<b>Closed</b>	Not applicable
12	Interest in pre-let office space is likely to increase once planning permission for the development is secured and it is recommended that further market	<b>Medium</b>	Already planned, with the use of internal and appropriate external resources. Informal discussions will also continue to be held in the meantime.	Develop and implement a marketing plan as	<b>Medium</b>	During next stage of the project

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	engagement is undertaken if the permission is granted to attempt to secure a pre-let.			part of delivery of phase 1 of the scheme.		
13	The current contractor procurement strategy is based on partnership working and avoiding the contractor overpricing risk. If cost certainty is important then alternative procurement options could be considered.	<b>Medium</b>	Actioned. See procurement update in main report.	Implement agreed procurement approach.	<b>Closed</b>	Not applicable
14	For the construction phase of the project consideration should be given to the project team structure. There should be clear separation of roles between the client and contractor. Conflicts of interest should be avoided with clear lines of accountability and formal roles and responsibilities. The consolidation of the project and cost management roles would be expected to result in significant economies of scales and efficiencies if the same company undertook the contract administration function. It is recommended that WSC engages and retains their own design and quality inspection teams, to challenge and hold to account the design and construction teams engaged by the contractor. These should be separate appointments and any overlaps are likely to cause a conflict of interest.	<b>Low</b>	Agreed. Nothing to add.	Build advice into the procurement and appointment of the professional team for the next stage of the project	<b>Closed</b>	Not applicable.
15	It is recommended that confirmatory approval is sought at the appropriate level of governance within the Council to proceed with the project once the procurement of a contractor has resulted in a preferred bidder being selected and final costs are understood. This should precede entering into the contract and securing the loan.	<b>Low</b>	Agreed. This is a sensible final stage of assurance and political oversight before taking the final decision to proceed and will give the Council greater cost certainty in the light of full market testing. Additional gateways in the run up to this decision are also now planned (see main report).	Build Cabinet approval into the project programme.	<b>Closed</b>	Before award of final contract