



## Asset Development Programme Update – Proposal for diversification of the Parkside Offices by way of a proposed new hotel development

<b>Corporate Priority:</b>	Delivering sustainable and inclusive growth in Melton
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/a
<b>Exempt Information:</b>	Appendix 1, 2 and 3 of this report contains exempt information and is not for publication in accordance with Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. Further details are provided in the exempt appendices
<b>Key Decision:</b>	Yes a) Incurring Expenditure of £50,000 or more
<b>Subject to call-in:</b>	Yes

### 1 Summary

- 1.1 The Council approved the first phase of the Asset Development Programme (ADP) in January 2021 which seeks to maximise the value of the Council’s assets, generating additional revenue or capital income, whilst also creating jobs, building homes, and strengthening community facilities.
- 1.2 This report provides an update on progress of the programme specifically in relation to proposals to develop and diversify the Council’s Parkside offices with a view to facilitating the conversion of part of the building to a hotel. This would enable the council to release office space no longer required, whilst ensuring the council maintains required operational capacity and civic leadership presence in the town. Whilst capital investment would be required, the proposal has the potential to deliver a net revenue saving and also deliver significant economic benefits for tourism, as well as the evening and night time economy.
- 1.3 The report sets out the benefits, risks and implications arising from the proposals and seeks agreement in principle to enable further detailed exploration to take place. Should the recommendations be supported, and the further financial, procurement and legal due

diligence undertaken, a further report, confirming the full appraisal and details of those assessments will be brought forward to Cabinet and Council within the next 12 months.

## 2 Recommendation(s)

### That Cabinet:

- 2.1 Approve the principle of diversifying a part of the Parkside offices to accommodate a hotel whilst retaining consolidated space for council offices on the site.
- 2.2 Subject to Council approval of the associated Capital Programme allocation in February 2023, approve utilisation of the allocated funding to undertake the necessary procurement, financial and legal due diligence to enable a detailed business case to be developed.
- 2.3 Delegate authority to the Director for Growth & Regeneration in consultation with the Portfolio Holder for Growth & Prosperity and Director for Corporate Services to publish a VEAT notice and negotiate with interested bidders to secure the best deal for a hotel provider and procure any necessary expert advice required to prepare a detailed business case; and
- 2.4 To note that the detailed business case containing a full financial and legal appraisal will be considered by Cabinet and Council within 12 months.

## 3 Reason for Recommendations

- 3.1 The Council's Corporate Strategy (2020-24) commits the Council to take a commercial approach to the management of assets to deliver jobs, homes, and income. The key focus for priority 3 – Delivering sustainable and inclusive growth in Melton is to confirm plans, secure funding and develop our assets to generate income and provide housing and jobs
- 3.2 One of the key recommendations from the LGA finance review (2021) is for the Council to take a more strategic long-term approach to Financial Planning and the delivery of transformation using Council's assets and a requirement to at times take a hard-nosed commercial view.
- 3.3 The Asset Development Programme has been established to support financial sustainability by taking a strategic and long-term approach, rather than short-term and reactive approach to managing our assets. Through appropriate capital investment, the proposals contained within this document have the potential to generate a net revenue benefit which would assist with the council's financial sustainability.
- 3.4 Properties and buildings owned by the Council are key tools available to the Council to proactively lead the regeneration of the town centre and support the local economy. The opportunity to redevelop under-utilised parts of the Council office estate and develop a hotel, next to the railway station and in close proximity to the town centre, will support the tourism and help increase footfall. This will help delivering aspirations of the Melton Mowbray Town Centre Vision produced by the Council and its partners.
- 3.5 Key potential benefits of this proposal are:

- Reduced cost for MBC from rationalising the office space whilst maintaining strong local presence and remaining accessible to our residents.
- Significant multi-million-pound investment in the town centre.
- Support night-time economy, events and tourism, increase in footfall and spend in the economy.
- Meeting an identified gap in the market for hotel provision by proactive intervention.

## 4 Background

- 4.1 In April 2020, Cabinet agreed to formalise acceptance of a successful bid for external funding to support proposals for the development of Council owned sites; with £500,000 of Business Rate Pool (BRP) funding secured from the Leicester and Leicestershire Economic Partnership (LLEP). Cabinet also recommended the provisional allocation of £375,000 from capital receipts on the proviso that it was subject to further business cases and formal approvals before confirming specific allocations.
- 4.2 In December 2020, Cabinet further agreed recommendations to commence Phase 1 of the Asset Development Programme, seeking to allocate £285,000 of the aforementioned funding within the Capital Programme, comprising of £163,000 grant funding and £122,000 from the Council's capital receipts. This was approved by the Council in January 2021.
- 4.3 The grant agreement with the LLEP was signed in September 2021 when the project formally commenced. The Council provide regular updates to the LLEP on progress and spend on the grant funding. Key conditions for the grant funding secured include:
- For capital expenditure only
  - For work to enable the development of council owned sites for delivering jobs, homes, leisure and retail development
  - For appointment of consultants and external expertise for design, costing, marketing, feasibility, site investigations, preparing and applying for planning applications – activities to enhance the value of capital assets
  - For spend within the agreed timescales
  - Each item of spend has to be within the framework agreed with LLEP
- 4.4 The Council's approval for Phase 1 work included disposal of North Cattle market in two phases, development options and delivery mechanism for Phoenix House and design and costing for refurbishment of Parkside and The Cove to accommodate relocations from Phoenix House.
- 4.5 In April 2022, a comprehensive update was provided to the Council on progress made on the approved tasks. A refreshed programme was approved to include feasibility of development of additional sites and a town centre car parking needs assessment to inform the development of car parking to support the town centre.
- 4.6 In relation to the various elements of the programme, the Council confirmed the following aspirations:
- a) That the focus for the Cove Community centre should be increased community use and for the provision of community-based services.

- b) That development and increased utilisation options for Phoenix House should continue to be explored but that the interests of community uses operating from the site should be safeguarded as part of any business case.
- c) That commercial options for greater utilisation of the Parkside offices should be explored - recognising the excess capacity created by the departure of Leicestershire County Council and adoption of the hybrid working model through the Way We Work Strategy adopted in December 2021.

4.7 This report provides a specific update on work undertaken related to the commercial options associated with the Council's Parkside offices. A separate report will provide an update on the proposals relating to the Cove and Phoenix House at a future cabinet meeting.

## **5 Main Considerations**

5.1 Key objectives of the Asset Development Programme are:

- Rationalisation, effective utilisation and efficient use of Council owned assets
- Generate capital receipts and commercial revenue income
- Self-sustaining financial model, phased approach to delivery
- Balancing community needs with commercial aspirations
- Use it as a leverage to attract further investment and support regeneration activities
- Support delivery of housing and economic growth and town centre regeneration
- Contribute towards the Council's ambition for being carbon neutral by 2030

5.2 The Asset Development Programme is informed by the demand analysis study undertaken in 2019 that identified the need for the following uses in Melton Mowbray:

- Hotel and conference facility- There is a medium to long term market opportunity for an additional hotel in Melton Mowbray (to serve coach tours, quality family accommodation) supported by operator enquiries.
- Leisure and retail- Agents and operators are generating requirements for retail and leisure sectors. Mostly sub-100 or sub-50 sqm size. (lack of available and suitable premises in the town centre, outside the Bell centre).
- Residential- Housing demand to remain strong, with key markets being family homes, retiree accommodation and entry-level housing (including private rented sector and serviced apartments).
- Workspace- Strong demand for smaller size B2 (1-300 sqm). Current providers are able to absorb smaller units B1 office market demand. There may be requirement for medium size units and institutional occupiers.

5.3 While the market has changed significantly in some areas post-Covid, it is understood that the demand for these uses have largely remained unchanged in Melton area.

### **5.4 Proposals for the development of Parkside**

5.4.1 Parkside is the civic hub and main administrative office for Council services. Following the COVID-19 pandemic, the Council adopted a new hybrid-working model, established through the adoption of the Way We Work Strategy in December 2021. This enables agile

and flexible hybrid working patterns for Council employees by utilising the benefits of remote technology and productivity improvements. The utilisation of the Parkside building has been monitored over a number of months and working alongside managers, an ongoing requirement of 90 desks has been identified for the Council's use. Coupled with the departure of the County Council in December 2021, this new requirement is significantly less than the current available capacity of 222 desks. More of the running costs now have to be met by Melton Borough Council and the condition survey for the building has identified the maintenance cost to be circa £1,000,000 over the next 10 years.

5.4.2 A range of alternative uses have been considered for the vacant space available at Parkside to achieve the objectives of the Asset Development Programme.

- a) Shared space with other public sector organisations on a commercial rent basis – Appetite for public sector partners has been tested through the One Public Estate (OPE) programme with no interest identified.
- b) Conversion in small office suites – Not financially viable due to high service charges making it unaffordable for smaller users. There is office accommodation available at Pera Business Park as well as in the town centre.
- c) Conversion in residential apartments - Not viable due to high conversion cost and lower sale and rental value for private sector market in Melton due to low level of demand for such accommodation.
- d) Conversion of part of the building into 65 bed hotel - consultation for the Town Centre Vision identified the high occupancy levels of current hotel venues and the need for additional bed spaces in the town centre to cater for group travels and family accommodation to support tourism. A soft market testing exercise has identified a hotel provider interested to enter into Melton's market.

5.4.3 These options have been tested against the following criteria:

- Financial viability
- Deliverability
- Economic and regeneration benefits
- Alignment with the Council's corporate priorities

5.4.4 The hotel use has been considered the most deliverable option with certainty of commercial interest in the market making it a financially viable proposition. The demand analysis, confirmed by the consultation with town centre stakeholders has identified a real need for an additional hotel in the town. The Parkside location is considered to be the most suitable location for the new hotel with the proximity to railway station and town centre facilities, availability of parking and convertible nature of the building. A hotel in this location is expected to support the regeneration of the town centre by supporting tourism and contributing to increased footfall as well as investment and spend in the local economy. Discussions with a prospective hotel operator have identified commercial interest from the market in this proposal which will need to be tested further through the procurement process.

5.4.5 Considering the identified need, commercial interest and multiple benefits offered by creation of a hotel in this location, the proposition for which principle agreement is sought is as follows:

- Split the Parkside building into an East and West wing, whereby the Council offices and all current occupiers would be accommodated in the prominent East wing; adjacent to Burton Road
- The layout of the ground floor would be revised to accommodate a reduced size reception, with the civic suites, the Registrar and DWP retained on the ground floor
- The layout of the upper storeys would be revised to accommodate meeting rooms, 90 desks for the Council's use and 10 desks for the use by Probation and Police.
- An extension to the building would be created on the Western end, alongside conversion of the West-wing to facilitate an occupational lease for a 65-bed hotel with a separate entrance and bespoke reception

5.4.6 A list of financial assumptions and initial modelling have been considered which due to their commercial nature are listed in the exempt confidential Appendix 1, 2 and 3.

5.4.7 Under the current assumptions, the Council would be required to borrow to finance the capital investment required to extend and adapt part of the office space, such that it could be converted into a hotel. The cost of servicing this borrowing would then need to be offset by any income received through a lease with the hotel operator and any savings that could be realised by consolidating council operations into a smaller office footprint. Based on the current assumptions the initial financial modelling provides sufficient justification to warrant further investigation.

5.4.8 Should Cabinet be minded to approve the recommendations, the financial assumptions and modelling would be fully tested through further detailed diagnostics including the procurement of a hotel operator, identification of preferred funding options for any capital requirements, identification of any potential investment partners, professional expertise requirements and contractors for implementation of works.

## 5.5 **Key considerations:**

5.5.1 **Due Diligence and Commercial Risk** – Should the council proceed with this proposal it will require significant borrowing to fund the capital needed to convert and develop the building. A number of assumptions have been made regarding this capital cost which will need to be refined. These include significant IT works to move the council's operations within the building including moving the council's data centre. The cost of financing this borrowing will create a long-term burden on the revenue fund. Based on the provisional figures and modelling to date, the reduction in building running costs and projected income have the potential to offset this burden and there is sufficient justification to further test and refine the financial model further to fully establish the extent of any financial benefits. There is a risk that if the provider became insolvent and the lease was terminated that the council would still have to service the debt without the benefit of the income. This would place a significant strain on the revenue fund and accordingly, should the council decide to proceed in future, consideration will need to be given as to how the Council might be able to insure against this risk or else create a void reserve to mitigate the potential impacts of such an eventuality. A number of other assumptions have been made at this stage that would need to be refined and subjected to sensitivity analysis. These include the revised running and future maintenance costs of the building as well as the costs of the borrowing depending on the length of loan repayment and the interest rate achieved. As part of the next phase, the Council will need to undertake appropriate due diligence on any potential partner to assure itself of their financial strength.

- 5.5.2 **Economic benefits** – The 65-bed hotel in the town centre is likely to create new jobs for 16 local people including managerial, housekeeping, reception and ancillary staff. It is assumed that no bar or restaurant facilities would be accommodated in the proposed development to encourage the customers to spend time and money in the local shops and restaurants in the town centre. The customer numbers are likely to be in excess of 28,000 per year contributing to approximately £400,000 per year to expenditure in the town and total £2m per year in wider local economy.
- 5.5.3 **Planning** – Melton Local Plan is silent on the hotel use in this location, but a change of use approval will be required for this development. The design for the extension of the building will need to consider the impact on views from and to the Grade I Listed St Mary's church as well as the conservation area. Views of church spires from further afield are important heritage considerations and that is something that Historic England would be highly involved with. A flood risk assessment will be required as the site is within the flood risk zone 2. Due to the proximity to the railway station, a noise assessment will be needed as well.
- 5.5.4 **Impact on Council operations** – The Council is well used to working in a hybrid model, following the adoption of the Way We Work Strategy in December 2021. The assessment of capacity requirements undertaken is based on current operations and includes a small contingency to maintain flexibility and scalability for future changes in the working model. It should though be noted, that inevitably, if the proposal proceeds, the council's ability to significantly increase its operations at Parkside would be limited. The Council does though (and this will be the subject of separate reports), continue to retain office space at Phoenix House and community centres which does provide some flexibility should that be required.
- 5.5.5 **Impact on civic and community leadership** – The Council is a civic and community leader within Melton. Through this proposal, the civic suite will be retained, ensuring the council's ability to deliver its democratic functions is unimpaired. Crucially, the prominent frontage of the Council building, as a symbol of visible leadership and commitment to Melton will be retained through Council operations being located in the east-wing of the building, adjacent to Burton Road.
- 5.5.6 **Disruption during construction** – Clearly the significant redevelopment of the council offices will create some disruption and noise during construction. It is envisaged a project such as this would take time to build, and while every effort would be made to minimise impacts, some would be unavoidable. The extent of these will be clarified through method statements provided as part of any procurement of construction contractors. Any disruption to IT server will need to be carefully managed to maintain business continuity.
- 5.6 **Procurement options:**
- 5.6.1 Consideration has been given to the potential of securing a hotel operator based upon a management agreement whereby income generated will be dependent upon the performance of the hotel. This would mean sharing the financial risk with the operator. Hotel brands such as Hilton, Marriott and Ibis operate on the basis of management agreements.
- 5.6.2 The alternative route of a tenant entering a long lease with a fixed rent and RPI linked rent reviews is considered as a more appropriate form of agreement as it provides certainty of income over a longer period of time. Hotel brands such as Premier Inn and Travelodge operate on fixed rentals and RPI linked rent reviews.

- 5.6.3 The recommendation from property point of view is to pursue the long term property lease option that gives certainty of income at reduced risk.
- 5.6.4 It is proposed to follow the VEAT notice route, publishing a notice for 30 days identifying the details of what is proposed and what is expected of the supplier and also identify the preferred supplier who has demonstrated market interest and provided information so far in preparing assumptions for the works so far. As this is publicly advertised it will give any other bidders the opportunity to come forward to deliver the same work with an improved offer. The Council will proactively approach other hotel operators advising them of the VEAT notice.
- 5.6.5 The outcome will either be that no one else is interested and we will be able to freely negotiate with the supplier that is already interested, or another bidder comes forward and we will then move into a negotiated process with the bidder(s) to secure the best deal and check the capability of the providers. This process creates the least risk to the authority whilst ensuring we meet the required target and ensures whatever deal we go into will have fully considered all options within the market.
- 5.6.6 It is proposed to enter into an arrangement with the preferred supplier as a developer partner to jointly develop the hotel on this site. The first phase of this work will include the detailed designs and costings to help refine the financial assumptions and inform the detailed business case for investment for the consideration by the Cabinet.

## 5.7 **Investment and funding options:**

- 5.7.1 The Council has an option to use the Public Works Loans Board to fund the costs of the works with rental receipts from the hotel used to repay borrowing costs. However other borrowing options can be considered including the type of loan utilised. The workings to inform this report has been based on repayment of an annuity loan. The loan repayment period would need to take into account the length of any agreement and the provisions at the end of the lease for any reinstatement of the building.
- 5.7.2 An alternative structure used by other local authorities would be for the Council to enter into an overriding lease on the building with the developer/ investment fund with option to purchase in favour of the Council at the end of the lease with the developer/fund being responsible for the delivery of the scheme and the Council granting a sub-lease of part to the selected hotel operator. Funds such as L&G and AVIVA work extensively on funding projects of this nature and have entered into recent agreements with local authorities including Sheffield, Bristol, Hull and Newcastle. This funding route will be assessed as part of the next steps to ensure the most appropriate funding structure is used to meet the objectives of the Council.

## 6 **Options Considered**

- 6.1.1 **Alternative uses** considered for the vacant space at Parkside are identified in para 5.4.2 of this report.
- 6.1.2 **Alternative sites for hotel use** in Council ownership have been put forward to the interested hotel operator to assess the viability and market interest. These sites include Scalford Road car park, Phoenix House and Waterfield leisure centre. Due to the constraints of having to work with an existing building and the cost of separating out all electrical and mechanical operation of the building to avoid conflict in future, the cost for Parkside are higher than similar size new development on a constraint free site. While the



income level could be higher if a larger size hotel was built on Scalford Road car park, it is unlikely to generate higher revenue benefit than the Parkside option as the Council will still need to bear the maintenance costs for the vacant parts of the Parkside. It would also mean Parkside continues to remain under-occupied, requiring another solution. Considering the benefits to the town centre of a hotel use in Parkside and the potential to reduce the level of liability for the maintenance of the vacant part of the building, Parkside is recommended as a preferred location for this use.

- 6.1.3 If nothing is done, the Parkside building remains partially vacant and existing revenue costs will not be mitigated. The conversion of part of the building into a hotel helps generating saving and creates additional hotel facility to support the economy of Melton.
- 6.1.4 **Options for procurement** of hotel operator are identified in para 5.6 of this report.
- 6.1.5 **Options for investment** are identified in para 5.7 of this report.

## 7 Consultation

- 7.1 Informal discussions with Cabinet have taken place throughout the development of these proposals.
- 7.2 A workshop session with the members of scrutiny committee was undertaken in November 2022 on the revised scope of this programme including the hotel option for Parkside.

## 8 Next Steps – Implementation and Communication

Should Cabinet be minded to approve the principle of accommodating the hotel on the Parkside site, the main next steps would be as follows:

- Seek external advice for the procurement of hotel operator, undertake a procurement exercise and appoint a preferred partner to produce a detailed proposal to be incorporated into the detailed business case – March to September 2023.
- Engage with investment partners to explore the options available to the Council and seek external professional advice on the preferred investment options for the Council based on an analysis of risks and rewards – March to September 2023.
- Prepare a detailed design and costing proposal in consultation with the preferred development partner and investor to inform the tender specification for the contractor – September to November 2023.
- Refinement and confirmation of potential savings in running costs and related impacts on council operations – September to November 2023.
- Undertake due diligence on the proposals with exploration of all other considerations including planning, legal, operational as well as preferred partners in order to bring a final and detailed investment case along with recommendations for taking this project forward to Cabinet for approval – November 2023 to January 2024.
- Consideration by Scrutiny Committee and Cabinet of detailed business case including full financial and legal appraisal prior to final consideration of whether to proceed and authorise the investment and development at Full Council – March 2024.
- Internal communication with staff and consideration of impacts on working operations will be maintained throughout.

## 9 Financial Implications

- 9.1 Key financial assumptions for the proposal are included in exempt Appendix 1, 2 and 3 covering the initial high level build costs, likely savings on the current Parkside budget, less the cost of borrowing to fund the investment required, which initially suggests a net benefit to the Council. Alongside this, exempt Appendix 2 provides a high-level financial summary of the proposals outlining how the forecast net benefit has been arrived at.
- 9.2 As outlined previously there will need to be further detailed financial analysis and due diligence undertaken to ensure the financial viability of this proposal. This will cover checking accuracy of build and running costs as well as expert advice on borrowing / funding approach. Whilst there aren't any expected VAT implications these will also need to be checked as part of the due diligence review. These will be incorporated into the detailed business case which will subsequently be considered by Cabinet and Council. Exempt appendix 3 includes sensitivity analysis to demonstrate the impact of changes around key variables such as rent increase, interest rates and capital costs. It can be seen that the capital costs of conversion and the level of interest payable create the most variation and would impact on viability and future potential returns. This highlights the importance of further financial analysis to refine the assumptions made.
- 9.3 The total Asset Development Programme budget is £875k made up of £500k of LLEP funding and £375k of Council's capital funding as per the Council's approval in January 2020. There is currently approval to access £283k for the initial phase of works. The remaining £592k represents the residual amount of the original £875k allocated to the Asset Development Programme through the capital allocation and Business Rates pool grant funding. Spending against this budget will only be permitted through formal Cabinet decisions setting out funding required and rationale. Therefore, £592k is being requested to be added to the capital programme for the use on the remainder of the ADP activities as part of the Councils budget setting process for 2023/24. Up to £100,000 is expected forecast expenditure in the financial year 2023-24 for implementing the recommendations of this report, though the specific requirements are still being costed. This will leave circa £492k in the programme budget for other buildings.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 The Council has the power to borrow pursuant to s.1 of the Local Government Act 2003 for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.
- 10.2 The Council has the power to invest pursuant to s.12 of the Local Government Act 2003 for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.
- 10.3 The Council has the power to enter into contracts in order discharge its functions (Local Government Act 1972, s111 and the Local Government (contract) Act 1997, s1). The Local Government Act 1972 requires the Council to have regulations for how it enters into contracts. In addition to complying with all relevant UK and EU legislation every contract entered into on behalf of the Council must also comply with the Council's Contract Procedure Rules and the Council's Financial Regulations

**Legal Implications reviewed by: Monitoring Officer**

## **11 Equality and Safeguarding Implications**

11.1 Refurbishment of Parkside will ensure accessibility principles embedded in the design. An equalities impact assessment of the design proposals will be carried out as part of the detailed business case development and considered alongside the subsequent reports to Cabinet and Council.

## 12 Community Safety Implications

12.1 Design for Parkside refurbishment will consider community safety issues for all occupying partners and their customers.

## 13 Environmental and Climate Change Implications

13.1 Where possible energy efficiency measures will be incorporated in the design of the building.

## 14 Other Implications (where significant)

14.1 Modern hybrid work styles which are currently in place encourage hot desking and home working therefore culturally the workforce is already used to working in a non traditional office environment. Engagement with teams throughout the development of the programme will be key to ensuring the correct conditions are in place to move into the smaller space; making sure the space promotes a healthy and inclusive environment.

14.2 Policies and protocols will be implemented to ensure the workforce are supported in making the change to the new space including making the best use of existing and new ICT solutions to help reduce paper storage and maximise the desk space.

14.3 Ongoing discussions with individuals and teams through the “Team Charters” will continue to monitor the demand and type of space required at Parkside. This will provide not just the number of desks required but also highlight the need for meeting rooms, touch down, groups break out areas and communal areas for example.

## 15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	That the estimates for capital and revenue costs are inaccurate resulting in an ill-informed decision over options.	Low	Critical	Medium Risk
2	That insufficient due diligence is undertaken and issues arise with the arrangement	Significant	Critical	Medium Risk
3	Borrowing and construction costs are significantly different at the time of implementation	Significant	Critical	Medium Risk
4	Capacity and capability within the Council to undertake the project of this scale and complexity- commercial negotiations, construction, legal and finance	Significant	Critical	Medium Risk
5	Hotel operator goes bust during the lease period resulting in loss of service to the	Significant	Critical	Medium Risk

	community and significant void costs putting pressure on the council's finances.			
6	Insufficient funds for maintenance of the building over the lease period	Significant	Critical	Medium Risk
7	Procurement exercise to find a hotel operator is unsuccessful	Low	Critical	Medium Risk
8	Change in the need for number of desks for the Council in future	Very Low	Marginal	Low Risk
9	Delays in project delivery	Significant	Critical	Medium Risk
10	Planning approval not achieved	Low	Critical	Medium Risk
11	The works to Parkside including IT works cause business disruption and interruption to services	significant	Critical	Medium Risk
12	Proposals lead to uncertainty for staff about future working environment	Low	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant			2,3,4,5, 6, 9, 11	
	3 Low			1,7,10, 12	
	2 Very Low		8		
	1 Almost impossible				

Risk No	Mitigation
1	Finance team has been and will be involved in the project team at all stages of development. The financial appraisal is due to be developed and tested and a detailed business case will be presented to Cabinet and Council within 12 months prior to a final decision as to whether to proceed or not.
2	It is proposed to undertake thorough due diligence at all stages to mitigate against this and the outputs for this will be further considered by Cabinet and Council

3	A sensitivity analysis will be undertaken to identify the level of exposure for the Council and the outputs from this and procurement process will be considered as part of subsequent reports. An appropriate contingency will be incorporated into the development budget for any proposition considered going forward.
4	There will be varying pressure on capacity and capability at different stages of the project. This will be kept reviewed at all stages and external expertise will be sought as required. Within the capital budget an appropriate allowance for project management will be required and the council will need to add capacity to in-house teams to enable effective delivery, alongside meeting concurrent commitments to deliver the Levelling Up Fund and UKSPF Investment Plan.
5	Due diligence on the stability of the operator will be undertaken at the outset of the procurement. Market forces can't be controlled. But the design of the hotel will allow for accommodating the needs of alternative occupiers or conversion to residential use for the Council's needs. The Council will also need to consider how it mitigates the void risk through the establishment of a void reserve. This again will need to be considered as part of the development of the final detailed business case.
6	Maintenance liability for the hotel will be passed down to the operator through the lease agreement.
7	The demand analysis has identified the need for a hotel. Discussions with a prospective operator so far has identified strong commercial interest which will be tested through the procurement process. Should no operator be found, the proposal would obviously not proceed and the council would need to explore alternate uses for the under-utilised office space.
8	The need for the number of desks has been derived through extensive consultation with all services and staff of the Council and is supported by 'the way we work' programme which adopts the flexible and agile working approach. This is unlikely to change significantly over the coming years, but as part of the detailed business case development the requirements will be re-tested and the council will retain office space at satellite locations which will enable some scalability.
9	This will be mitigated through robust project management and governance arrangements in place.
10	The change of use is compliant to current policy. Pre-application advice will be sought in preparing the design for accommodating the hotel in the building.
11	IT team is part of the project team in preparing the proposal and the cost estimates include any works related to this. Expectations regarding requirements to minimise impacts on existing operations will be built into any procurement specification and method statements setting out how this would be achieved will be scrutinised as part of any evaluation.
12	Regular internal communications with staff will be maintained throughout the development of proposals and should a decision be taken to proceed. Regular liaison will also be held with staff groups including service champions, trades unions and the Joint Staff Working Group.

## 16 Background Papers

16.1 [Cabinet Report](#) April 2020

16.2 [Cabinet Report](#) December 2020

16.3 [Council Report](#) April 2022

## 17 Appendices

17.1 EXEMPT - Appendix 1 – Key Financial Assumptions

17.2 EXEMPT – Appendix 2 – Cashflow analysis

17.3 EXEMPT – Appendix 3 – Sensitivity analysis

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