Gravesham
Borough Council

Cabinet

Monday, 11 September 2023

Dear Councillor

You are advised that the attached documents form part of the main agenda papers for this meeting.

Please ensure you bring them with you to the meeting.

Yours faithfully

S Walsh
Service Manager (Communities)

List of documents attached

Civic Centre, Windmill Street, Gravesend Kent DA12 1AU

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Classification: Public
Key Decision: Yes

Gravesham Borough Council

Report to:	Cabinet
Date:	11 September 2023
Reporting officer:	Stuart Bobby, Chief Executive Sarah Parfitt, Director (Corporate Services)
Subject:	Interests in land and assets belonging to the council

Purpose and summary of report:

To provide an update to Members on the arrangements set in place regarding the St George's Shopping Centre and Town Centre sites, intended to deliver economic and social benefits to Gravesend Town Centre.

To seek Member approval for the progression of the proposals outlined within this report.

Recommendations:

Following consideration of the information contained within this report, Cabinet Members are asked to give authority for the following actions:

1. The council enter into the necessary legal agreements to give effect to the removal of the leasing structure currently in place with Aviva Investors relating to the St Georges Shopping Centre and replace this with external borrowing.

2. Delegated authority be granted to the Director (Corporate Services) (in the role of S151 officer) in consultation with the Leader of the Executive, Chief Executive and Monitoring Officer, and in conjunction with the council's Property, Finance and Legal teams, to take all necessary practical, financial, and legal actions required.

3. Cabinet note that the need to take on additional borrowing will see external debt exceed the CFR in the short term. In response to this the council will review its capital investment plans.

Key Implications:	
Item	**Implications**
Legal	The Legal Implications are set out in Section 7 of this report.
Finance and Value for Money	The Finance & Value for Money Implications are set out at Section 5 of this report.

Corporate Plan	#3 Progress: Strong Leadership Sound financial management, managing key business risks.
Climate Change	The St Georges Shopping Centre forms part of the council's property portfolio and will therefore be subject to requirements for Energy Performance Certificates for business premises. In October 2021, an energy assessment of the shopping centre was conducted by The Carbon Intelligence Team, on behalf of Aviva Investors. This identified that action had been taken in the centre to reduce landlord energy consumption, resulting in energy use intensity being below typical industry benchmarks. In addition, the centre obtains its energy supply through a 100% renewable electricity tariff.

1. Background

1.1 In 2004 the council embarked on a project in conjunction with Edinburgh House Estates Limited to redevelop what was then referred to as the Heritage Quarter, an area in Gravesend Town Centre encompassing St George's Shopping Centre, the area north of the Shopping Centre and the area north of Gravesend Market.

1.2 Redevelopment in the following 13 years was not forthcoming despite a development agreement being put in place between the council and the special purpose vehicle put in place for this purpose by Edinburgh House, Queenridge Properties. This stifled regeneration of key sites within the town centre and the delivery of housing to meet the objective assessment of housing need within the borough.

1.3 In 2017, after a change in Funder and the council agreeing to an extension of the development agreement, Edinburgh House decided to market their interest in the development opportunity, consisting of the purchase of the long-term lease for the St George's Shopping Centre, properties within the Edinburgh House Group (including the old Blockbuster building) plus the rights to the development agreement in place with the council.

1.4 In late 2017 Reef Estates Limited expressed an interest in the development opportunity and in working with the council to stimulate wider regeneration of Gravesend Town Centre. Following initial discussions, due diligence was undertaken to assess the interest that was being presented, which included securing legal opinion from Trowers & Hamlin, property advice from Jones Lang LaSalle and treasury and accounting advice from Link and engaging in discussions with the council's audit firm at the time, Grant Thornton,

1.5 An information paper was presented to Cabinet on 30 April 2018 with the same report presented to Overview Scrutiny on 3 May 2018 to provide Members with information relating to the proposals from Reef Estates Limited regarding the development of the Heritage Quarter, including the St George's Shopping Centre. These reports were supported by presentations from Reef Estates on their proposal. The report set out the view that the proposal, in the round, would deliver economic and social benefits to Gravesend Town Centre given the strategic position of the St George's Shopping Centre and the ability of the Agreement to act as a major catalyst to much-needed wider town centre regeneration.

1.6 On 21 May 2018 both Cabinet and Overview Scrutiny met to consider the progression of proposals in relation to the St George's Shopping Centre and to grant an exclusivity period to Reef Estates Limited in relation to progression of the proposals for the Eastern and Western Quarters (previously referred to as the Heritage Quarter). Representatives from Jones Lang Lasalle attended these meetings to answer questions. Following consideration of the proposals by both committees, Cabinet Members granted authority to:

- Terminate the development agreement in place with between the Council and Queenridge Properties Ltd/Edinburgh House Estates Limited, allowing the assignment of the head-lease of the St George's Shopping Centre from Queenridge Properties to Reef Estates Limited/Aviva Investors.
- Enter into an Exclusivity Agreement with Reef Estates Limited in relation to proposals for the Eastern & Western Quarters.
- Delegate authority to the project team lead by the Chief Executive and Director (Corporate Services) (in the role of S151 officer) to take all necessary practical, financial, and legal actions required to fulfil the decision by Cabinet.

2. Activity Update

2.1 In June 2018, the council terminated the development agreement with Queenridge Properties Ltd/Edinburgh House and entered into legal agreements with Reef Estates Limited and Aviva Investors relating to the St George's Shopping Centre. At the same time the council entered into an Exclusivity Agreement with Reef Estates Limited to bring forward residential and commercial development proposals for land formerly known as the Eastern and Western Quarters of Gravesend Town Centre.

<u>St George's Shopping Centre</u>

2.2 Works to refurbish the shopping centre commenced in March 2019 with the intention of re-enlivening the mall areas of the shopping centre with the laying of new paving, removal of some of the non-structural canopies and improvement to the two entrance malls of the Centre.

2.3 The proposals for refurbishment of the shopping centre had included the development of a specific leisure offering at the rear of the centre, intended to help drive centre footfall and incorporating a boutique cinema and a small number of restaurants. As a consequence of the Coronavirus pandemic and its effects on retail and redevelopment plans for other parts of Gravesend Town Centre, alongside the ensuing economic conditions, the leisure development within the shopping centre has not come forward. This has led, however, to adjusted proposals for the development of the area behind the shopping centre (now referred to as St Georges Square) which has been the focus of previous Levelling Up Funding bids submitted by the council.

<u>The Charter (formerly The Eastern Quarter)</u>

2.4 From June 2018, work focused on developing a masterplan for the area involving representatives from The Reef Group and officers of the council, supported by a number of experts and professional advisors. Public consultation events and Member briefing sessions were also held to help shape, develop, and inform the proposals coming forward for the site.

2.5 In March 2020, the council approved the formation of Rosherville Limited as its wholly owned trading company. As part of the company structure, Rosherville Property Development Limited was incorporated as a subsidiary company on 15 May 2020, with the purpose of working to regenerate and develop key sites within Gravesham, including The Charter development located on two council-owned car parks within Gravesend Town Centre.

2.6 In June 2020 Full Council agreed a formal request from the Board of Rosherville Limited to the council to make available funding to bring forward The Charter, a development of 242 quality apartments which would be available to rent on the open market, alongside a public multi-storey car park.

2.7 Works at the site commenced in March 2021, with show flats completed in February 2023 and practical completion expected in the next nine months. The Charter is seen as a catalyst for Gravesend Town Centre regeneration, increasing the number of people in and around the town centre and helping to boost both the daytime and night-time economies, as well as providing much needed housing to meet the objective assessment of housing need within the borough.

2.8 On 27 June 2022 Cabinet was presented with a report setting out the future financial arrangements for The Charter. In the coming months, Members will be presented with further information on this project.

St George’s Square (formally The Western Quarter)

2.9 Whilst focus was given to bringing forward The Charter, work continued to progress on developing a masterplan for area to the north of the St George’s Shopping Centre, informed again by public consultation events and Member briefing sessions.

2.10 A bid for £20m from Round One of the Levelling Up Fund was submitted in June 2021, setting out the vision of the council to create a major mixed use development on the site which would embrace the historic St George’s parish church and gardens whilst bringing a vibrant and diverse mix of uses to the town and creating a new civic hub. Despite Gravesham being one of the one hundred priority places for investment in England, the council’s bid was unsuccessful.

2.11 A further bid of £20m to Round Two of the Levelling Up Fund was submitted by the council in August 2022, the Fund having originally expected to have opened in early-July. Again, Gravesham was listed as a priority place for investment in England but was unsuccessful in its bid.

3. St George's Shopping Centre – Accounting Treatment

3.1 The Agreement for the St George's Shopping Centre followed the form of an income strip structure. This is effectively a forward-funding structure whereby the investor (Aviva Investors) enabled the developer (Reef Estates) to acquire the interest in the Shopping Centre from Queenridge Properties Ltd/Edinburgh House Estates Limited, with further funding provided by Aviva Investors to deliver the proposed reinvigoration of the St Georges Shopping Centre.

3.2 As reported to Members in the General Fund Provisional Outturn Report 2021/22, the 2018/19 Statement of Accounts treated the St Georges Shopping Centre Arrangement as a finance lease, following assessment of the accounting treatment required. This included discussions prior to entering into the agreement with representatives for the council's auditor, Grant Thornton. This treatment was accepted by Grant Thornton in their audit of the 2018/19 financial statements of the council, with the 2018/19 Annual Audit Letter, which confirmed that the auditors assigned by Grant Thornton to the council at that time had reviewed the accounting treatment for the St George's Shopping Centre as a finance lease and had issued an unqualified opinion on the council's financial statements on 30 July 2019. The Annual Audit Letter provided by Grant Thornton for the 2018/19 Statement of accounts can be found at the following link: Annual Audit Letter.

3.3 A new audit team from Grant Thornton was appointed to audit the council's 2019/20 financial statements and, during this audit process, the auditors requested that the council reconsider the accounting treatment being applied for the St Georges Shopping Centre transaction, indicating that the treatment for this transaction should be that of a loan agreement and also challenging the implicit interest rate applied.

3.4 The council then sought advice from various sources to ascertain which accounting treatment should be applied for this transaction. Advice was sought from CIPFA, Link (the council's treasury management advisors) and a technical expert in Local Government Accounting. All concurred with the view of Grant Thornton that the transaction should be treated as a loan, and that additional interest costs derived from the implicit interest rate within the arrangement should be reflected within the council's General Fund balance.

4. Proposal

4.1 Given the financial and accounting implications that have emerged, council officers approached Aviva Investors to begin discussion on termination of the arrangement. Whilst it was acknowledged that there was no contractual term covering premature repayment, Aviva Investors responded openly to the council's request and, following a period of negotiation with Aviva Investors during which the council were assisted by Reef Estates and Jones Lang LaSalle, consensus was obtained from all parties to end the legal agreement and remove the lease arrangement between the council and Aviva Investors.

4.2 To end this arrangement, the council will be required to make a capital payment to Aviva Investors in the form of a surrender premium, effectively replacing the finance lease with external borrowing. The value of this sum would be intended to represent the 'make-whole' position of the deal, taking into account that Aviva Investors are unlikely to be able to replace the income stream for its investors with liquid assets (i.e., gilts) and the likely time that will be taken to reallocate their investment in what is a challenging market.

4.3 In return, Aviva Investors will surrender the headlease and bring to an end the operational underlease agreement with the council. The council would then have an unencumbered interest in the St George's Shopping Centre, giving the council full control over its future operation.

5. VFM Assessment – proposal v continuing the Agreement with Aviva Investors

5.1 The council has a responsibility to ensure it is securing economy, efficiency, and effectiveness in deploying the resources it has available to it.

5.2 In May 2023 officers of the council engaged ArlingClose, an independent Treasury Advisory firm, to provide specialist advice in reviewing the proposed termination methodology and the valuation calculation used to inform the surrender premium valuation. This review identified opportunities to negotiate on some of the elements used in the methodology to the benefit of the council.

5.3 As a consequence of this review, ArlingClose were engaged to act on behalf of the council to negotiate a revised settlement sum Aviva and agree the final valuation methodology to calculate the surrender premium to be paid.

5.4 A report on the final valuation methodology has been produced which sets out the view of ArlingClose that the final valuation methodology agreed provides a fair valuation for the council.

5.5 Updated financial cashflow modelling completed by the technical accounting expert engaged by the council, supplemented by modelling conducted by the council's Finance Team, has been conducted. This takes account of the latest Office of Budget Responsibility (OBR) forecasts of inflation, with inflation returning to a flat rate of 3% in 2029 and this being the position for the remainder of the Agreement period. After consideration of payments already made and accounting requirements, this has indicated that the council would be required to account for revenue impacts of £107.1m over the 50-year period of the Agreement which commenced in 2018. For the remaining 45 years of the transaction (i.e., from 2023), the revenue impact of the transaction has been estimated at £97.3m.

5.6 Sensitivity analysis on the current Agreement with Aviva Investors has been conducted on four further inflation scenarios:

- Inflation at 5% for the remaining term of the Agreement.
- Inflation as per OBR forecasts, returning to 3% in 2029 before increasing to 5% after 38 years (simulating the period since 1985).
- Inflation as per OBR forecasts, returning to 3% in 2029 before increasing to 5% each 20 years for two years before returning to 3%.
- Inflation as per OBR forecasts, returning to 3% in 2029 before increasing to 5% each 15 years for two years before returning to 3%.

5.7 Each Sensitivity Model produces the following projected outcomes:

Sensitivity Model	Revenue Impacts (Full 50 Year Term)	Revenue Impacts (Remaining 45 Year Term)
Core Assumption	£107.1m	£97.3m
Inflation at 5%	£207.2m	£197.4m
Inflation as per OBR forecasts, increasing to 5% after 38 years	£108.4m	£98.6m
Inflation as per OBR forecasts, increasing to 5% each 20 years.	£111.6m	£101.8m
Inflation as per OBR forecasts, increasing to 5% each 15 years.	£113.7m	£103.8m

5.8 Should the council replace the current finance lease arrangement with an external loan, a central base position has been assumed that the council would look to secure a PWLB annuity loan at an interest rate of 5.58% (August 2023). Taking account of payments already made and the amortisation of the existing loan liability held on the council's balance sheet, the termination of the arrangement with Aviva would result in revenue impacts of £108.9m over the equivalent 50-year period of the Agreement. For the remaining 45 years of the transaction, the revenue impact of the transaction has been estimated at £99.0m.

5.9 Given the current volatility in the markets there are a number of ways in which the loan requirement could be structured to secure the most financially beneficial solution for the council. Advice on this is being sought from ArlingClose and will be used to inform the final approach to structuring the loan requirement.

5.10 Sensitivity analysis on the loan structure has been conducted on four further scenarios:

- Maturity Loan for for 1 year at 6.00% (certainty rate), then annuity loan for 44 years at 4.82% (certainty rate)
- Maturity Loan for 2 years at 5.96% (certainty rate), then annuity loan for 43 years at 4.83% (certainty rate)
- Annuity Loan for a higher amount over 45 years at 5.58% (certainty rate)
- Annuity Loan for a lower amount over 45 years at 6.00% (certainty rate)

5.11 Each Sensitivity Model produces the following projected outcomes:

Sensitivity Model	Revenue Impacts (Full 50 Year Term)	Revenue Impacts (Remaining 45 Year Term)
Core Assumption	£108.9m	£99.0m
Maturity Loan for 1 year at 6.00% (certainty rate), then annuity loan for 44 years at 4.82% (certainty rate)	£96.9m	£87.1m
Maturity Loan for 2 years at 5.96% (certainty rate), then annuity loan for 43 years at 4.83% (certainty rate)	£98.0m	£88.1m
Annuity Loan for higher amount over 45 years at 5.58% (certainty rate)	£109.7m	£99.9m
Annuity Loan for lower amount over 45 years at 6.00% (certainty rate)	£116.2m	£106.4m

5.12 Advice on alternative options for structuring the required loan debt has also been sought from ArlingClose. The final advice report had not been received from ArlingClose by the time of publication of this report, but a Members Briefing Note will be prepared by ArlingClose and shared with Members once available. This and the final advice report will be used to inform the final approach to structuring the loan requirement. Members should be aware that the final loan structure will be impacted by prevailing interest rates at the time of surrender and at the points of refinancing during the duration of the loan requirement.

5.13 In coming to a decision Members will wish to also take into consideration the non-financial benefits that are to be derived from unencumbered freehold of the St Georges Shopping Centre.

6. Legal and Taxation Implications

6.1 There will need to be legal documents drafted to reflect the surrender of the Headlease by Aviva (as tenant) to the council (as landlord) and to release the council from its obligations under the operating underlease and other documents within the original transaction structure. Other documents, such as the Deed of Easement, will need to be kept in place.

6.2 Trowers & Hamlins law firm had been engaged by the council to provide legal advice on the most efficient method of structuring the removal of the lease arrangements, with PSTax, the council's taxation advisors, providing taxation advice.

6.3 On the basis that Aviva has opted to tax its interest in the relevant land, the surrender or assignment of its leasehold interest will be subject to VAT. Advice received from Trowers & Hamlins indicates that it is unlikely that the lease surrender could be treated as a Transfer Of Going Concern for VAT purposes, resulting in a VAT charge being applied. This can be recovered from HMRC through the council's monthly VAT return but would have a short-term cash flow implication on the council that would need to be managed. There will also be a need to report this to HMRC ahead any completion of the transaction.

6.4 The council will be considered as benefitting from the land interest surrendered and will therefore be treated as acquiring a land interest for Stamp Duty Land Tax (SDLT) purposes.

7. Accounting impact – MRP and statement of accounts

7.1 For the Statement of Accounts for 2019/20, the accounting entries pertaining to the St Georges Shopping Centre as a lease agreement will need to be reversed and replaced with loan entries. The proposed accounting treatment to be applied for this purpose has been documented by the council and was shared with Grant Thornton in December 2022.

7.2 Since December 2022 the council has been liaising with Grant Thornton and their technical team. In a meeting in July 2023 between the Director (Corporate Services), Assistant Director (Corporate Services), the Audit Partner and Audit Technical Professional Support Senior Manager from Grant Thornton, the council set out its final position on the accounting treatment that it would be looking to provide. Grant Thornton have confirmed that this will result in them providing a Limited Scope audit opinion for the 2019/20 accounts. This is likely to also be the position for the accounts relating to 2020/21, 2021/22 and 2022/23.

7.3 The council are currently redrafting the 2019/20 Statement of Accounts with a view to the Annual Audit Letter for 2019/20 being presented to the Finance & Audit Committee in November this year (subject to Grant Thornton being able to conclude their audit requirements ahead of this). The council will then agree a programme with Grant Thornton for concluding audits for the following financial years, mindful of recent announcements by central government to set in place statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present.

7.4 Following the receipt of technical accounting advice, the surrender premium payment to Aviva and SDLT element will be treated as one in the Council's accounts. Thus, the difference between this total amount, and the existing loan liability to Aviva held on the Council's balance sheet, will represent the extinguishment payment chargeable. This will be amortised over the life of the remaining loan period.

7.5 Accounting advice indicates that as the transaction is ultimately a re-financing arrangement, there will be no MRP considerations.

8. Treasury Considerations

8.1 The Treasury Management Strategy Statement (TMSS) of the council includes Prudential Indicators which are intended to demonstrate that the capital investment plans are affordable, prudent, and sustainable.

8.2 The Prudential Indicator projecting the council's Capital Financing Requirement (CFR) provides an assessment of the amount of capital spending that will not be met from capital receipts, revenue or grant funding held by the council, and will therefore have to be met from borrowing, either internal or external. When made, the projection will take into account current commitments, existing plans, and the proposals in the budget report.

8.3 As noted in the TMSS, it was anticipated the review of accounting treatment and any change to the structuring of the transaction with Aviva could require an adjustment to the projections on the council's CFR. Having assessed the impact of the proposal within this report, the need to take on additional borrowing will see external debt exceed the CFR in the short term. In response to this, the council will look to review its capital investment plans in an appropriate manner during 2023/24 and report progress on this to the Finance & Audit Committee. Further advice is being sought from ArlingClose on this matter, the conclusion of which will be taken into account in any final decision to proceed with termination of the agreement.

9. Property Management Implications

9.1 There are anticipated to be very few implications in the short term as the Council already has a free rein in who can occupy and on what terms without having to seek Aviva's approval. As time passes and the lease term shortens this could become more problematic.

9.2 Owning the unencumbered freehold of the Centre however does provide greater opportunity for the council to manage and consider the future purpose of the shopping centre without being constrained by any requirements of Aviva as Investor. It also makes it legally easier to adjust, modify or repurpose the centre and the area to the rear as identified in the current St George's Square proposals as all the land holdings are within the direct ownership of the Council.

10. Appendices

10.1 The following documents are to be published with the report:

10.1.1 Appendix One – Risk and Opportunities Assessment

Background Documents

10.2 There are no background documents.

Lead Officer: Sarah Parfitt, Director (Corporate Services)

Email: sarah.parfitt@gravesham.gov.uk

Secondary Implications	
Risk Assessment	A risk and opportunities assessment has been completed at Appendix One to this report.
Data Protection Impact Assessment	*A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.*
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A
Equality Impact Assessment	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No
	In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above
Crime and Disorder	The information contained within this report has no specific crime and disorder implications.
Digital and website implications	The information contained within this report has no specific digital and website implications.
Safeguarding children and vulnerable adults	The information contained within this report has no specific safeguarding implications.

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Appendix Two

Risk and Opportunities Assessment – Termination of Aviva Transaction

Risk opportunity				Likelihood				Risk threat
4	4	3	3	A Very high 1:2 probability	3	3	4	4
4	4	3	2	B High 1:10 possible	2	3	4	4
4	3	3	2	C Significant 1:50 possible	2	3	3	4
3	3	2	1	D Low 1:80 possible	1	2	3	3
3	2	1	1	E Very low 1:100 possible	1	1	2	3
2	2	1	1	F Almost impossible 1:1000 possible	1	1	2	2
Transformative	Major	Moderate	Minor		Minor	Moderate	Major	Catastrophic
Positive impact					**Negative impact**			
Multiple objectives exceeded	Objectives delivered significantly early, better or cheaper	Objective delivered moderately early, better or cheaper	Objective delivered early, better or cheaper	Objective driven (Customer, people, society or key performance	Slippage and minor deviation	Failure to meet an objective	Failure to meet several objectives	Severe damage to the Council and its services
Saving				100% £500m	**Unforeseen expenditure**			
25%	10%	2.50%	0.25%	Budget driven (income, expenditure, contractors and budget allocation)	0.25%	2.50%	10%	25%
£125m	£50m	£12.5m	£1.25m		£1.25m	£12.5m	£50m	£125m

Risk and Opportunities Assessment:

Ref.	Type	Description of Risk/Opportunity	Assessment of risk/opportunity	Likelihood	Impact
1.1	R	Actual inflation differs from core modelling assumptions.	This is of greater relevance to the current Aviva deal, given annual payments by the council are linked to RPI. Modelling has been undertaken to assess the likely impact on different inflation scenarios. Borrowing undertaken by the council will be at a fixed rate, and therefore will not be directly influenced by inflationary movements over the loan term.	Very High	Moderate
1.2	R	Actual interest rates are higher than forecasted.	This is of greater relevance to borrowing undertaken by the council. Modelling has been undertaken to assess the likely impact on different inflation scenarios. Advice will be sought from Treasury Advisors, ArlingClose, as to likely direction of rates and alternative loan structures to inform borrowing decisions.	High	Moderate
1.3	R	Accounting Treatment is challenged by the External Auditor.	Technical assessment of the proposed termination and loan has been completed and shared with Grant Thornton, who have accepted in principle the accounting treatment proposed.	Significant	Moderate

Ref.	Type	Description of Risk/Opportunity	Assessment of risk/opportunity	Likelihood	Impact
1.4	R	The council is unable to manage its external borrowing against the Capital Financing Requirement (CFR) in the short term.	An overborrowed position exposes the council to credit and refinancing risk. The Treasury Management Strategy will need to be updated to explain how the council intends to manage this position over the coming years. The Finance & Audit Committee will provide oversight of this through its financial governance role and receive updates on progress in managing this position. All future capital investment decisions will formally include an assessment of impact on the CFR and other Prudential Indicators.	Significant	Moderate
1.5	R	Settlement Sum is significantly different to that assumed for the purpose of the decision report to Members.	Treasury Advice and negotiations led by ArlingClose has proposed a settlement methodology that reduces the volatility in the settlement sum. Decision Paper includes various modelling scenarios to assist Members in understanding the impact of a change in settlement sum. Delegated authority will help to ensure transparency in the decision making process, with a decision notice published when the final decision to proceed is made.	Low	Minor
1.6	R	Refinancing risk – future interest rate projections are overly-optimistic.	Exposure to this risk will be dependent on the final decision, informed by Treasury Advisors ArlingClose, on the loan portfolio taken, the extent of any short term loans taken and refinancing periods.	Significant	Moderate

Ref.	Type	Description of Risk/Opportunity	Assessment of risk/opportunity	Likelihood	Impact
1.7	O	The surrender will provide the council with unencumbered freehold of the Centre.	Provides greater opportunity for the council to manage and consider the future purpose of the shopping centre or make adjustments to the centre.	Very High	Major
1.8	R	The Aviva Board do not wish to proceed with the surrender.	The matter has been considered by the Aviva Board, who have agreed that the surrender should take place.	Almost Impossible	Major