States of Jersey

Review of Waterfront Enterprise Board

Final Report

May 2010

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Contents

Appendices

1. Terms of Reference and Approach

In the light of referred proposition (P79/2009) to establish the States of Jersey Development Company (SoJDC) the Chief Executive of the States of Jersey (SoJ) has instructed DTZ to carry out an independent external review of the Waterfront Enterprise Board (WEB). The full Terms of Reference for this review are enclosed in Appendix 1 but cover:

a) A review and evaluation of the past and current performance of the Waterfront Enterprise Board in the promotion and delivery of regeneration projects in the St Helier Waterfront area, including:

   - what WEB has delivered;
   - the benefits delivered to the States of Jersey as a result;
   - the current financial structure of WEB, and its contract commitments.

b) A review of the structure and levels of staffing within WEB and advice to the Minister on how this compares with comparable development companies.

c) A review of the current activities of the Waterfront Enterprise Board in respect of regeneration master planning, development promotion, project specification, project implementation and exploitation; and advice to the Chief Minister on which activities are appropriate to the proposed operation of the SoJDC and where those activities not thought to be appropriate should be undertaken.

d) A review of the current assets held by WEB, their tenure and value, income generation and holding costs and advice to the Chief Minister as to which assets should be retained in SoJDC, which should transfer to the Public and the timing of such transfers.

e) Development of established clear protocols for the transfer of assets between Jersey Property Holdings (JPH) and the Company.

f) Development of a detailed risk management regime that includes individual project Risk Management Plans.

g) A review of the capacity of the SoJDC to purchase privately-owned assets and advice on the protocols required to ensure the most effective vehicle is used to effect such purchases.

Our review has involved the following activities:

- A review of various papers provided including:
  - States Propositions relating to the creation of WEB and its subsequent development activities
  - WEB's annual accounts and business plans
  - Asset lists and control files relating to WEB projects

- A visual inspection of the main completed developments and public realm projects

- Interviews with:

    - The Board of WEB , Managing Director and Director of Finance & Development
    - Chief Executive of SOJ.
    - Treasurer of the States and Head of Decision Support
    - Chief Executive of Planning and Environment and Director of Planning
    - Deputy Chief Executive of SOJ and Director of Jersey Property Holdings
    - Minister for Treasury and Resources

- Desktop research into the activities and resources of other UK regeneration agencies

2. Executive Summary

2.1 The public perception of WEB is that it has not performed well in the delivery of its mandate, that the Waterfront lacks a coherent vision, the delivery of completed developments has been too slow, and many buildings poorly designed.

2.2 Overall however, the conclusion of our review is that in the light of considerable constraints WEB has performed better than this perception allows. In the 15 years of its incorporation WEB has contended with:

- Confusion at the outset over its role in the planning process
- A development area physically separated from the town centre by the Route de la Liberation
- The limited pool of developers in Jersey capable of addressing major regeneration schemes
- The Le Pas dispute over ownership of the Waterfront foreshore and the entire West of Albert reclamation site
- Inappropriate intervention in some of its operational and commercial dealings by the States Assembly and a political process which produces slow decisions
- A higher degree of public interest than comparable bodies on the mainland
- A lack of continuity in leadership and management
- Prior to 2005, more limited staffing resources than similar bodies on the UK mainland

2.3 Against this background, WEB has successfully delivered:

- Infrastructure and public realm development funded out of its share capital and housing at Victoria and Albert Pier, and offices at Maritime House funded by loans and capital grants from the States of Jersey
- Via land sales and third party development agreements , a public swimming pool (funded by SoJ Capital Grant) and leisure complex, four star hotel, new transportation centre, retail, aparthotel and offices at Liberty Wharf and 426 residential units with commercial space at Harbour Reach and Castle Quay on the Waterfront

2.4 Although WEB has not at any time paid a financial dividend to the States it now holds total assets with an estimated open market value of £88.6m against a net transfer in value of £20.2m in 2004, a value uplift delivered substantially through the negotiation of valuable planning consents and development agreements.

2.5 2007 estimates from Price Waterhouse Coopers (PWC) are that the indirect socio economic benefits to the States in form of new employment could range from £49-£65m once the whole of the West of Albert area has been developed out.

2.6 We have also considered WEB's performance in terms of the design quality of what it has delivered, how it has engaged with the community and stakeholders, its approach to procurement and commercial dealings, and its management of the estate. Our key conclusions are:

- There are pockets of good design amongst the public realm projects, but no overall sense of a continuous or compelling environment or instances of exemplary building design. Responsibility for this in the earlier years lay with weak planning policy but partly with WEB who failed to champion or give sufficient weight to design considerations. Design has since risen higher up the Island's policy agenda, reflecting the trend in UK urban policy and design shortcomings should be viewed in this context. It should also be recognised that WEB are now at the forefront of the design agenda with the development of detailed design codes for the Esplanade Quarter.

- WEB has engaged regularly with the public over development plans for the Waterfront. But on occasion it appears to have allowed developers to take too much of the lead role in public consultation and perhaps approached public engagement more as a means to inform than to genuinely seek views. The lack of a structured public relations programme has served to reinforce negative perceptions of WEB with the public, although it is clear that WEB has faced some criticism in the past where it has sought to undertake a protracted and coordinated communication campaign.

- It has generally interacted well with the States at officer level but there was evident tension between WEB and the Planning Committee in its early years due the lack of clarity around their respective roles at the inception of WEB which hindered progress with some developments.

- WEB appears to have operated a level playing field with developers and employed due process in the evaluation of their proposals. It has done as much as could be expected to maintain competitive tension in the face of considerable delays that have often been beyond its control. WEB has on the whole shown itself to be commercially astute in its dealings with developers and achieved an appropriate balance between land value and overage payments within development agreements. Recently it has shown a firm hand and acted decisively with Harcourt in terminating its Heads of Terms agreement for the Esplanade to safeguard the States interests.

- Clearly some mistakes have been made, notably in the drafting of the exclusivity agreement signed with the developer for Les Jardins, which enabled it to be assigned subsequently to Harcourt without retendering or renegotiation.

- Our sense is that whilst WEB have marketed the individual development opportunities outside of Jersey, more could also have done more to promote the wider Waterfront opportunity to an international audience.

- Overall WEB has managed to maintain some control of the whole development area but there are unresolved issues around unfulfilled land transfers and the adoption of areas of public realm which inhibit a clear exit strategy.

2.7 Financial Review and contract commitments

2.7.1 WEB has a straightforward corporate structure with a limited number of wholly owned subsidiaries established to facilitate land sales to developers without attracting stamp duty.

2.7.2 WEB's cash resources position it to move forward with its aspirations to develop out the Westwater site and the first phase of the Zephyrus scheme, which recently received planning consent. The £71m (market value) of land assets it holds could also provide the security for future borrowing required to fund the cash flow requirement for the Esplanade Quarter

2.7.3 The majority of contracts to which WEB is party including the two extant development agreements for Castle Quay and Liberty Wharf, various leases and service contracts confer nearly all of their obligations on the counter party. WEB's only notable commitments are to sell the Phase 2 land at Castle Quay to Dandara once Phase 1 is complete, and by way of a States Proposition, to contribute towards a community centre above the Waterfront car park. None of this carries any risk that should be of concern to the States.

2.8 WEB Organisation and Staffing

2.8.1 Our view, supported by those we interviewed within and outside WEB and by a desktop review of two similar regeneration bodies, is that WEB has a very lean organisational structure and until 2005 was understaffed for carrying out its remit. We have been unable to benchmark its cost base meaningfully against other bodies but note that WEB have made efforts to manage down operating costs and conducts independent pay scale reviews.

2.8.2 WEB have identified a limited increase in resourcing requirements in the short term but as SoJDC grows into its development role, its staffing structure and resourcing strategy will require regular review to deal with peaks and troughs in workload, and to strike the appropriate balance between employed and contracted staff, and external consultants.

2.9 Activities Review

2.9.1 We refer to the detailed schedule set out in section 7 of the report which provides a high level assessment of where various development and regeneration related activities should take place under the proposed changes from WEB (as the regeneration agency for the Waterfront) to States of Jersey Development Company (as an island wide development delivery vehicle.)

2.9.2 The allocation of activities described is wholly consistent with the key terms of the P.79 for the creation of SoJDC, which above all distinguishes between the Master Planning role of the Minister of Planning and Environment, and the development delivery role of SoJDC.

2.10 Asset Retention and Transfer Policy

2.10.1 There is a general perception that WEB is holding on unnecessarily to a number of assets which should be either sold or returned to public ownership. WEB accepts the principle that assets should only be retained in their ownership where it is necessary to retain control over a defined development area in order to meet its obligations to support marketing and sales campaigns for ongoing developments until completion of sales or letting - and that in some cases this could require fairly long term retention.

2.10.2 In practice, however, that it has been difficult for WEB to transfer assets back to the States for a variety of reasons. Foremost amongst these are the legacy funding arrangements which require WEB to retain a number of income producing assets in order to meet their operating costs. The States of Jersey have been reluctant to accept a transfer of infrastructure assets back from WEB without an endowment to cover long term management and maintenance costs.

2.10.3 Whilst WEB can demonstrate that they have been managing these assets very effectively, ideally this complicated and illogical series of arrangements should be rationalised as part of the transfer to SoJDC, to allow the new body to focus exclusively on its core remit. We have identified in Section 8 what we believe would be the most appropriate destination for each asset in the future and an indication of timing where a sale or transfer back into public ownership is recommended.

2.11 Asset Transfer Protocols – From Jersey Property Holdings to SoJDC

2.11.1 It is apparent that the protocols for land transfers to WEB have changed over its life and been inconsistently implemented. In the course of producing our report there has been extensive engagement between JPH and WEB to agree a clearer set of protocols. These are in summary that:

- For land or buildings outside designated Regeneration Zones, transfers from JPH to SoJDC should be at market value, assessed by an independent valuer

- For land or buildings within designated Regeneration Zones, independent valuations should be obtained on both an open market basis (taking into account any existing planning permissions), and on a residual basis that takes into account its position within a wider Masterplan area and the particular asset's share of the costs of delivering public realm and infrastructure improvements to that area

- A political decision can then be made as to whether to transfer the asset at lower than market value, in order to progress the regeneration scheme

- Privately owned land may be acquired, either by private treaty or through compulsory purchase by the States, with SoJDC meeting the transaction costs upon transfer

- New public realm and infrastructure should ordinarily be transferred to the respective Parish, with costs of future management met by increases in Parish rates that are generated from the new development

- If agreement cannot be reached with the Parishes, it can be transferred back to JPH at a nominal sum but with an appropriate revenue stream to cover future costs

These protocols establish an effective platform for the development of more detailed set of transfer arrangements to apply to specific schemes and assets in the future.

2.12 Risk and Control Mechanisms

2.12.1 We have reviewed the risk management principles set out in the States Proposition for the creation of SoJDC and the accompanying Memorandum of Understanding, development industry best practice and existing WEB practices

2.12.2 We have noted the recent development of a formal risk assessment and risk management plan by WEB which codifies a number of existing good practices. We have supplemented this with a draft risk management policy standard and a consolidated risk management approach for the future operation of SoJDC.

2.12.3 Effective risk management will be underpinned by strong oversight and governance arrangements. We believe this will be more effectively delivered through the change in accountability for SoJDC to the Treasury and Resources Minister, and by the appointment to the Board of a Chairman and non Executive Directors with substantial industry experience who provide effective challenge to the Executive and take decisions on the management of the company.

3. Factual Base

We have based our review on key factual information provided by the States and WEB. Much of this is summarised in the schedule in Appendix 2 which sets out details on WEB's assets, the projects delivered over a 15 year period, the status of its undeveloped land holdings, and headline information on procurement methods.

3.1 Incorporation of WEB and Inputs

3.1.1 The establishment of the Waterfront Enterprise Board was approved by the States on 12th December 1995 for an initial 10 year period. Proposition P156/1995 and its Memorandum and Articles of Association established the objectives of the WEB as follows:

"(a) To promote, co-ordinate and implement a comprehensive strategy for the development of the St. Helier Waterfront area as shown on Map No: 3-92 (see Appendix 3) *approved by the States on 10th November, 1992 (the "Waterfront").*

(b) To exercise administrative control over the use of the land and the adjacent shore and water areas in the Waterfront and to liaise and consult with all relevant committees of the States of Jersey and other governmental and regulatory authorities in relation to investment in infrastructure projects in and development of the Waterfront."

3.1.2 Various earlier Propositions we have reviewed set out in more detail the role and objectives of WEB, inter alia:

- Uniting the Waterfront with the town
- Establishing high standards of design
- Meeting local and visitor needs, port operational and leisure needs
- Acting as a gateway to Jersey
- Creating an attractive environment for people to live work and play
- Communicating with local residents and business communities on the development of the Waterfront
- Acting as a one stop service for all private and public sector interests

3.1.3 WEB was finally incorporated on 21st February 1996 as a fully owned subsidiary of the States of Jersey and for two years following its formation WEB essentially functioned as a committee responsible for administering land assets. In 1997 via proposition P40/1997 its authorised share capital was increased from £1m to £20m for the provision of various public realm and infrastructure projects including the road network, promenades, parks, landscaping, car parks, steam clock and gardens, and servicing. Most of these assets remain in public ownership although WEB owns the car park and road network.

3.1.4 In 2002 it was deemed that in order for WEB to act effectively as an interface between the States and the private sector in the development of the Waterfront, in should have an interest in the land and via Proposition P45/2002 various plots were transferred from the public by way of a freehold or long 150 year leases at a peppercorn.

3.1.5 WEB has in practice drawn down such elements of the demised land by way of individual sales or leases as and when required to facilitate specific commercial developments. The total area of land agreed to be transferred to WEB amounts to approximately 1.5m sq ft of which 1.25m sq ft has actually been transferred. The remaining 0.25m sq ft has been developed by WEB and effectively returned to the States in the form of public realm. The sequence of these transfers and current status of land ownerships is summarised in the plan in the Appendix 4.

3.1.6 The value of the land holdings transferred to WEB was assessed at £33m in two valuations carried out by CWHB in 2004.The ultimate transfer value to WEB netted off the costs of site infrastructure that had been funded out of WEB's share capital. The net transfer value was £20.2m.

3.2 **Outputs - What has WEB Delivered?**

3.2.1 *Physical Infrastructure and New Buildings*

In 15 years since its creation WEB has delivered:

Via direct development:

- Public realm and infrastructure including the Steam Clock and gardens, Les Jardins de la Mer and La Fregate, the Waterfront car park and the road network and promenades around the Waterfront and the Waterfront services infrastructure. (all funded from share capital)
- £26m of first time buyer private and social housing at Albert Pier (funded via SoJ grant)
- Offices for Jersey Harbours, Customs and Immigration at Maritime House (funded via SoJ grant)
- The Weighbridge (funded from land receipt)
- Other elements of social and public provision including a skateboard park, boat hoist and quay at La Collette and the regeneration of the Havre de Pas bathing pool. (funded from WEB resources)

Via land sales and development agreements with third parties:

- a cinema and leisure complex, including public swimming pool (funded by SoJ grant)
- four star hotel

- 426 residential units and commercial space along the Waterfront (including Harbour Reach and Castle Quay, currently under construction)
- a new transportation centre, offices, aparthotel and retail at Liberty Wharf.

3.2.2 Financial Benefits

3.2.2.1 No dividend has been paid by WEB to the States as its sole shareholder at any time in the last 15 years as profits have been carried forward from year to year to fund WEB operations.

3.2.2.2 As at 31st December 2009 WEB holds on its balance sheet net assets totalling £39.05m including current investment assets (development land assets) with a book value of £21.86m. These land assets include the Esplanade Quarter, Westwater, Castle Quay Phase 2 and Zephyrus sites which accounting policies require to be carried in the books at the opening market value at the date of acquisition plus subsequent expenditure incurred.

3.2.2.3 However, the open market value of these assets based on third party valuations as at the same date totals £71m. The Esplanade Quarter and the Zephyrus development land together account for c. £60m of this market value, based on planning consent, being secured for substantial residential and commercial developments. The Zephyrus site has recently secured a planning consent for 58 residential units and ground floor commercial space and the Minister for Planning and Environment has indicated that he is minded to approve the Esplanade planning application subject to a number of conditions.

3.2.2.4 As a measure of WEB's financial performance we have compared the current market value with the 2004 transfer in market values for these assets which was £33m. So even accounting for general upward market movement in the last five years, WEB has contributed through their activities to an uplift in asset values of well in excess of £44m.

Summary

Inputs to WEB		WEB Assets (Open Market Value 12/2009)		State Owned Assets Funded by WEB
Share capital–	£20m	Roads and Landscaping	£0	Liberation Square, Steam Clock and Gardens, Jardins de Mer and La Fregate,
Net Transfer value	£20.2m	Fixed Asset Investments	£17.6m	Skateboard park, La Collete boat hoist and Quay, Havre de Pas bathing pool, parish street improvements
Revenue Funding	£4.2m	Land Assets	£71m	
Total	**£44.4m**		**£88.6 m**	**Estimated cost of £9m**

3.2.2.5 We have reviewed WEB's 2010 business plan which projects a cumulative cash surplus of £83.2m by 2018 from WEB's development activities in the West of Albert area, based on phased land sales of £82m over the period. If realised, this would enable WEB to pay considerable annual dividends to the States in the future.

3.2.3 Social Benefits

3.2.3.1 The public have had the benefit for some years of all of the infrastructure and public realm development delivered by WEB. The merits of these developments are commented on in more detail in the following sections, but it was clear from our inspections and discussions that the Weighbridge Square in particular is a well used public space and focal point for community events, and has acted as a catalyst for al fresco dining in the surrounding hotels and restaurants. Also, the investment in the road network around the Waterfront has opened up the area for future development.

3.2.3.2 At various stages WEB have commissioned reports from Price Waterhouse Coopers on the wider economic impacts and benefits of development proposals along the Waterfront. These are forward projections of the overall net economic benefit derived from net employment additions, taking into account leakage (benefits derived out with the States from the initial development), displacement (income that would have been delivered elsewhere without new development) and multiplier effects (downstream benefits to rest of the economy).

3.2.3.3 The most recent of these reports in 2007 projects total net economic benefits of between £49-£65m from the development of the West of Albert area, based on various Masterplan scenarios developed with Hopkins. Whilst this includes benefits derived from completed schemes, e.g. the hotel, the majority pertains to the development of the Esplanade Quarter and is as yet unrealised.

3.2.3.4 Our recommendation is that in future SOJDC should raise the profile of these indirect benefits in the reporting of its performance and results to ensure they are fully understood and appreciated by stakeholders and the public.

4. WEB Performance Review

4.1 Context

4.1.1 The timeline in Appendix 5 maps the key events in WEB's corporate history, the development of Masterplanning for the Waterfront Development Area and the delivery of development. These project timelines are approximate but convey a sense of the pace at which development has progressed over the last 15 years and provide a context for our review. The timeline also shows the UK property market cycle over the same period. We understand that broadly speaking, the shape of the Jersey market cycle tends to track that in mainland UK, albeit with a 9 to 15 month lag and that it not experienced significant periods of falling residential values over a 25 year period. Property yields are similar to those in the UK, although have perhaps performed slightly better during the downturn of the last two years

4.1.2 Various issues and "Jersey" factors have been offered up during consultation both as relevant context and partial mitigation in our assessment of WEB's performance.

The Role of WEB

4.1.3 Whilst WEB's objectives are set out in P156/1995 and its Memorandum & Articles of Association there was a strong consensus from our interviews that there was confusion from the very outset about the nature of WEB's remit. In the words of the Chief Executive of the States, they were handed "words and a map".

4.1.4 So far as we can ascertain there was no official launch of WEB with the public and this may have contributed to misconceptions amongst both States Members and the public as to its role and purpose. And from the subsequent involvement of States Members in the activities of WEB it would often appear to have been treated more as a Department of the States than an arm's length body.

4.1.5 The principal area of confusion was over responsibility for the Masterplanning of the Waterfront Development Area. There was insufficient clarity in the Proposition on the distinction between the setting of planning policy and responsibility for wider area Masterplanning and the result was that soon after its creation, WEB moved to develop and consult publicly on its own Masterplan for the Waterfront Development Area.

4.1.6 There appear to be two reasons why this happened. The 1992 Andrew Downie Masterplan in which the mix and massing of land uses across significant areas of the Development area were not allocated, created a planning vacuum which WEB was obliged to fill in order to fulfil its mandate. And the lack of clarity in the Proposition led WEB to interpret its role in terms of those UK regeneration agencies such as the London Docklands Development Corporation which had explicit planning powers conferred on them. The effect was to create tension between WEB and the Planning and Environment Committee in the early years.

The Jersey Property Market

4.1.7 The lack of developer competition in Jersey has been a consistent feature in the development of the Waterfront. Major U K based developers have tended to avoid Jersey because of the limited scale of development opportunities, and construction costs that are 25-30% higher than the mainland because of labour regulations and the need to import materials via the UK. There are also high establishment costs and it takes 5 years or more to gain a foothold in the market

4.1.8 There is a locally based pool of four or five commercial and mixed use developers capable of delivering projects of £5 to £7m. For larger developments there is only one main player who has secured a dominant market position over the last ten years and now controls most of the major development land opportunities in private ownership.

4.1.9 The size of the market and scale of developments means that the majority of investor interest is from Jersey based private individuals seeking lot sizes of up to c £10m. Larger investments are owned by UK or European Institutions but recent changes to tax law mean that exempt UK and European pension funds can only invest in transactions large enough to absorb the high transaction structuring costs.

The Starting Position

4.1.10 WEB inherited a Development Area physically separated from the town centre by the Route de la Liberation. This has been a fundamental constraint to meeting the aspirations set by the States for a properly integrated development.

Le Pas Dispute

4.1.11 Early developments took place against the background of the Le Pas dispute over ownership of a major area of the Waterfront foreshore which included the entire West Of Albert reclamation area. This ran from 1995 through to 2003 when it was settled out of court through the transfer to Le Pas of land now occupied by part of the Castle Quay development.

The Political Process

4.1.12 The political process in Jersey has evidently allowed for regular challenge and review by States Members of Propositions and for a high level of member interest and involvement in WEB’s operational and commercial dealings. We have been provided with various examples of this by WEB:

- Rescindment Propositions e.g.
    - P112/1999 to rescind the decision to build the Waterfront Hotel.
    - P156/1999 to rescind the leisure complex lease.

- P134/2000 to rescind the leisure complex length of lease decision of 150 years and change to 99 years.

- Propositions relating to WEB's role e.g.

  - March 2003 Proposition for the dissolution of WEB
  - July 2005 Proposition to amend the renewal of WEB's 10 year working limit to 2 years.

- The requirement to submit full development agreement documentation to the States Assembly for approval – slowing up the commercial process at its most sensitive stage

- Micro-level involvement by States members - WEB have cited the example of members commenting in detail on the design of door fittings for the Waterfront hotel.

- The significant burden imposed on WEB's management in responding to States Members information requests and numerous written and oral questions asked in the States Assembly

4.1.13 This has been coupled with a far higher degree of press scrutiny and intensity of public interest in WEB than would be experienced by comparable bodies on the mainland.

Continuity

4.1.14 The timeline illustrates that over a 15 year period, WEB has had seven different Chairmen (including Jurat John Tibbo's two periods of acting chairmanship) and three different Chief Executives. There have also been a number of different Heads of the Planning Committee and Ministers for Planning and Environment over the same period.

4.1.15 We have been provided with the specific example of where a change of control in the States Planning authority in 2006 led to the appointment of Hopkins and a change of approach to the Masterplanning for Esplanade Square. It would be reasonable to assume that WEB's overall performance would have benefited at certain points in time from a more stable leadership picture and consistent approach to Masterplanning.

Development Outcomes

4.2 Design

4.2.1 One of the key benefits of creating WEB as a single body responsible for coordinating the development of the Waterfront ought to have been the strong leadership, control and consistency that such a body could exert across the overall design and identity of the Waterfront.

4.2.2 In reviewing the design outcomes achieved to date, we have therefore considered:

- The types of benefits that ought to have accrued at the Waterfront had good design been pursued
- The extent to which good design ought to have been embedded in WEB's policies and operations having regard to the development of best practice over the last 15 years
- The actual design outcomes delivered during WEB's tenure to date

4.2.3 The benefits of good design as an important part of successful development and regeneration are now widely recognised. Controlling design is central to good town planning; it is widely accepted as creating and sustaining occupier demand and investment value; and it helps create distinctive places that can contribute to wider social and economic policy objectives. As a flagship development district the Waterfront had the potential, in part through excellent design, to create a "ripple" effect beyond its boundaries by improving the wider image of St Helier as a business, residential and tourism location. The design of individual buildings is clearly important in this process but so too is the need for a coherent and high quality public realm, communal landscaping, amenity and infrastructure.

4.2.4 In the context of the Waterfront, the main benefits that good design ought to have influenced can be expressed as follows:

Stakeholder	Potential Benefits of Excellent Design
States of Jersey as Landowner	Potential for increased land values
WEB as master developer	More efficient and more certain planning application process Increased public support Higher sales values Distinctiveness and greater product differentiation – stronger demand in the market which could help to attract interest from UK and international development markets and overcome the "thin" Jersey development industry Reduced management costs over life
Developers	Higher returns Quicker sales and lettings Better reputation Future collaborations with WEB and States of Jersey more likely
Community Benefits	Better quality of life Better security and less crime More sustainable environment Welcoming public space Civic pride

4.2.5 Whilst recognising that Jersey is its own jurisdiction, we think it is relevant to consider how over the last two decades in the UK, design has progressively moved up the agenda of urban policy makers and those delivering development and regeneration. Based on our discussions and consultations with WEB directors, planning officers and others we have concluded that the rise of design as an embedded principle of good development followed a similar pattern of gestation in Jersey as the mainland.

4.2.6 There have been numerous policy statements, guidance and initiatives concerning design over the life of WEB. Key UK milestones are plotted overleaf, against which we have identified the progression of development parcels at the Waterfront.

DTZ

WEB established	**1995**	
Les Jardins	**February 1997**	**Planning Policy Guidance 1: General Policies and Principles** Established the background context to the planning framework including important principle of design as a policy tool
Waterfront Car Park	**June 1999**	**Urban task Force issues its report: Towards an Urban Renaissance** Seminal paper which guided urban policy for a decade
Maritime House	**July 2000**	**English Partnerships and Housing Corporation (now HCA) launch the Design Compendium** Reinforcing key principles of urban design
	November 2000	**Urban White Paper published** Key policy document setting out importance of design and consultation in urban planning and delivery
	February 2001	**CABE: The Value of Urban Design published** Promotes how excellent design adds economic, social and environmental value
Waterfront Leisure	**September 2002**	**Breaking Down the Barriers** Results from workshops exploring best practice in urban regeneration
	Mid 2000's	**Prince's Foundation champion the use of Enquiry by Design** A key planning tool intended to bring together key stakeholders
V&A Pier Housing	**February 2003**	**Sustainable Communities Plan - Building for the Future** Sets out a programme of action for delivering sustainable communities
Harbour Reach	**November 2003**	**CABE: The use of urban design codes** How urban design codes can help property values, reduce crime etc
Waterfront Hotel	**September 2007**	**Urban Design Compendium 2** Update of Homes and Communities Agency tool

4.2.7 We have reviewed the various Propositions concerning the establishment of WEB and found relatively consistent reference to high quality design as one of WEB's key objectives and clearly therefore, the projects that have been delivered to date have taken place against the ascendancy of design being recognised as an important feature of town planning and development.

4.2.8 Against that background, we have measured the specific design outcomes of WEB according to the following criteria (adapted from HCA's Design Compendium):

Design Criteria	Indicators of WEB's Performance
Quality of public realm	Generally moderate quality with consistency not readily evident Little, and moderate quality, street furniture Some pockets of very good public realm design features such as the granite setts and the Weighbridge Site
Continuity and enclosure	Few design features that might establish a continuous or compelling environment Weak linkages between Les Jardins de la Mer, St Helier town centre and remainder of the waterfront Few natural or building features designed to provide people with shelter from wind and rain
Character	Some aspects are visually appropriate e.g. harbour wall and marine environment Although there is no recognisable Jersey vernacular, overall, there is no sense of any distinctiveness or consistency of design – other than the waterfront/marina many aspects of the schemes could be "anywhere" Lack of iconic architecture or public realm – this may not have been appropriate for St Helier but we are not aware that there was much public or policy debate about the use of iconic design features
Ease of movement	Alignment of roads does not optimise overall site layout, La Route de la Libération clearly a barrier to movement between the Waterfront and the town centre, although this was a situation that WEB inherited Pedestrian access is adequate for movement but it provides little opportunity for people to dwell and enjoy the public spaces
Landscaping	Reclamation projects inevitably mean that few natural features remained Little landscaping and few natural features have been added to mitigate

Mix of uses and form	Diverse mix of uses with variety of building form Density of buildings, massing and building heights in each development parcel are broadly proportionate to the adjoining town centre with additional allowance for public open space between parcels Some buildings are poorly designed – the Waterfront Hotel being an obvious example which has generally been poorly received The leisure complex is an imposing building at a key gateway site Commercial logic of locating the hotel on one of the prime waterfront plots is questionable. Although this was eventually imposed on WEB by SoJ, we have not seen any evidence of prior challenge by WEB or them seeking to reallocate the hotel to another part of the Waterfront, in order to free up this site for more commercially viable uses.
Sustainability	Little evidence of exemplary sustainable design to date Future developments (e.g. Zephyrus & Esplanade Quarter) are proposed to include sustainable materials, construction techniques and design features

4.2.9 It should be recognised that design has risen up the policy agenda over the last two decades and it has been stated several times in our consultations with WEB, the Chief Executive of the States and the Planning Department that design was not given sufficient weight as a policy imperative until the appointment of Senator Freddie Cohen as the Minister for Planning and the Environment.

4.2.10 But as design featured in its terms of reference at the outset we believe the WEB Board should have progressively driven the design agenda, not least because the *commercial* value of good design should have been sufficiently clear. As master developer WEB should have had a clearer strategy to champion design throughout the development and beyond. This is not to say that design has been overlooked completely and consistently. A design competition was held for the Albert Pier Housing and was the subject of public consultation. The leisure complex was designed by Faulkner Brown, one of the UK's leading architectural practices. But overall, the outcomes have been very mixed.

4.2.11 It is acknowledged that design is now embedded in the Planning Department's policies and, for example, that CABE carried out a review of the remaining development plots in 2005 leading to the adoption of the Waterfront SPG and the establishing of the Waterfront Design Group in 2008.

4.2.12 In addition WEB have highlighted that from 2007 strict and comprehensive design coding was introduced for all developments, ranging from public realm to internal fittings. A design code was commissioned by WEB for the Esplanade Quarter which now forms the basis for future developments at Westwater and Zephyrus.

Conclusions and Implications

4.2.13 It is evident from our discussion and consultations that design has now been established as an important role for WEB and that it is now an important feature of planning policy in Jersey. It is also clear that in the early phases of development – arguably the most critical in setting the public perception and establishing market appetite – design was not given sufficient weight. It seems that this is in part because of the terms of reference that WEB was given, in part that WEB did not give sufficiently weight to design as an evaluation criteria to select development partners, and in part because it was not given sufficient emphasis through planning policy.

4.2.14 On the basis that design is now recognised as important, we would expect that WEB, or its successor, would in the future be responsible for:

- Managing the design process properly and in a structured manner so that WEB champions the design agenda
- Ensuring that individual plot developers have a high quality multi-professional team and a design procurement process that is well defined so that each phase contributes to a coherent long term vision
- In partnership with the Planning Department, securing the commitment from across all stakeholders (including the community) to a quality design led approach.

4.2.15 In addition to a stronger emphasis from WEB, it is also important that the Planning Department continues to "own" the design agenda by having clear policy objectives and adopted design codes which should be mandatory for flagship projects such as the Waterfront.

4.3 Community Engagement

4.3.1 Effective community engagement is a fundamental aspect of new development and regeneration. It empowers local people to become involved in decisions affecting their community, it builds consensus, improves perceptions and can help to debunk myths. We therefore consider it appropriate to assess WEB's community engagement policies and performance as part of this review.

4.3.2 As an assessment framework we have measured WEB's performance against the guiding principles adopted by the Homes and Communities Agency, the UK's national housing and regeneration agency. Whilst we are adopting this as today's benchmark, it does need to be recognised that – like design – the "art" of community engagement as a process has developed in the UK and Jersey over the life of WEB.

4.3.3 The assessment we have carried out points to the following performance:

Community Engagement Principle	Indicators of WEB's Performance
Community engagement to be integral and a permanent thread which runs through all of the processes	WEB have provided a list of presentations made to various community bodies between 2005 and 2008 and other specific examples of community consultation including: • A public exhibition and roadshow of the leisure complex scheme around the Jersey parishes • Consultation on the Waterfront 2000 Masterplan via public workshop • Public exhibition of the Liberty Wharf Scheme manned by WEB, the developer and States Planning • 2005 public meeting to consult on tall buildings which led to the issue of Special Planning Guidance • Consultation on the 2008 Esplanade Quarter Masterplan including a public exhibition, a public meeting and media coverage. We understand that the Planning Department considered the representations and made consequential changes to the Masterplan
Get started early to get the best results	One of the strong themes emerging from our consultations is that WEB generally had a poor start which, at least as a matter of public perception, from which in many ways it has not recovered. To some extent the issues underlying this perception are over-stated and WEB's efforts to instigate protracted public relations campaign have in the past met with criticism from the States.

Be clear about aims/ objectives and what capacity the community has to get involved	We have not established any clear community engagement policies or objectives over the life of WEB. We believe that the role of community engagement is now strengthened as a concept within the Planning Department and WEB but again we are not aware of any protocols established by WEB. The objectives of the community engagement process have not been clearly identified and are likely to have been inconsistent as the events have been owned partly by the Planning Department, partly by WEB and partly by individual plot developers.
Develop a profile of local communities and reflect their needs and aspirations	WEB have highlighted the public consultation for the Waterfront 2000 Master plan which resulted in a mix of land uses that was overburdened with community and public facilities, and which would have been commercially unviable without additional States funding.
Set effective and clear ground rules and agree how community engagement will genuinely capture the views of different groups of people	We have not identified any examples of best practice and in our discussions there was a comment from the States that WEB's style of consultation has been to "present to"" rather than "engage with" the public.
Agree timescales, costs and delivery plans	On the basis that there has not been a structured approach to community engagement, we do not believe that there has been an overall expression of these issues. We understand that each public consultation will have established timescales but we have not identified any clear delivery plans emerging from the previous consultations (other than the 2005 consultation).

Use different models and techniques of community engagement, ensure agreements and strategies are implemented, measure success, assess impact	WEB has highlighted to us the production of newsletters that were distributed to all households through the JEP and Jersey Post. This ceased in the face of criticism that it was wasting public funds. Latterly it is clear that engagement has been run effectively and that representations have reflected in changes to the proposals. There is little evidence of this in the earlier years.

Conclusions and Implications

4.3.4 It is clear that community engagement has taken place at various intervals but in some cases was not effectively controlled by WEB and some questions have been raised by States officers as to the style of consultation WEB adopted. There is a compelling logic to assume that a lack of a structured approach to community engagement as part of an overall public relations programme may have led to public misconception of WEB as being another Department of the States.

4.3.5 Going forward, we recommend that WEB or its successor should build on the momentum of the most recent consultation as part of a structured programme.

4.4 WEB's Approach to Procurement

4.4.1 The disposal of interests in land by WEB need to be subject to strict governance as it is a company wholly owned by the States and is effectively administering the land on behalf of the States. As such, we have identified below the principles that we consider should have informed WEB's procurement strategy against which we have provided our analysis of the actual performance.

Procurement Approach	Indicators of WEB's Performance
Raise awareness of the Waterfront brand image in order to build and improve its profile within the development sector.	It is clear that WEB has suffered from poor initial perceptions and has found it difficult to shrug this off. Within the Jersey development industry itself we consider that WEB did create a brand and this is evidenced by the engagement of established development companies already operating on the island. A properly managed awareness campaign would be likely additionally to create opportunities to have built WEB's reputation and profile.
To build market confidence this should include a programme of marketing initiatives such as press releases to coincide with key infrastructure and development milestones and for example the release of development parcels onto the market.	WEB has advised that the only developers operating in Jersey with the resources or capabilities to undertake development of this scale are Dandara.
Raise awareness in the UK and mature development markets of continental Europe, such as the Netherlands and France, in order to challenge the status quo of Jersey not having a strong development industry.	There is evidence of WEB marketing the Waterfront outside Jersey (Esplanade Square was advertised in the international property press) and of institutional interest in the larger opportunities (ING were short listed bidders for Esplanade Square and some of the bidders for Liberty Wharf were non Jersey companies). But we think it is possible that greater efforts could have been made to "marry up" these types of institutional investors with local partners. We would additionally have expected to have seen a high profile campaign (for example investor roadshows or focussed marketing at key industry events) to raise the profile and proposition of developing in Jersey. WEB considers the cost of this to have been prohibitive.

Agree with the Treasury and Resources Minister the most effective structures for disposal which meets WEB's objectives and delivers best value.	WEB has pursued two broad delivery approaches: *Delivery directly by WEB including:* • Schemes delivered directly by WEB via tendered construction contract e.g. Les Jardins de la Mer and La Fregate; and • via a design and construction contract e.g. Waterfront Car Park *Delivery by a third party developer including:* • Schemes delivered under a Development Agreement procured via open tender e.g. Harbour Reach; and • Schemes delivered under a Development Agreement procured via open tender but with a preferred developer phase e.g. Waterfront Leisure Exceptionally, the exclusivity agreement for Les Jardins (now part of Esplanade Quarter) was negotiated without any apparent competition based on the business track record of the developer in leisure and tourism and the participation of Center Parcs.
Comply with EU regulations on the procurement of development partners and the disposal of land.	Regulations do not apply in Jersey. This could be a significant differentiator in attracting in new off island developers for whom the regulations are becoming increasingly onerous and expensive
Provide prospective developers with clear, accurate and consistent information for each package against which they can prepare their bids. This will vary between development parcel but would typically include: • **technical information such as specifications and warranties for any infrastructure works and site surveys including geo-technical, topographical and environmental investigations** • **measured parcel drawings showing boundary surveys and location and capacity of all services;** • **copies of all relevant planning documents;** • **draft development agreement and other legal documents including report on title**	We have not requested or had access to every marketing file for each land parcel. We have however undertaken reviews of the control files which include summary information of the marketing process that was undertaken and the type of analysis that was carried out. For example, on the Esplanade Quarter file, there are copies of letters of recommendation from an independent chartered surveyor from which we infer that they were suitably familiar with the process to frank the deal. On the basis of the control files that we have read, we are comfortable that prospective bidders were given sufficient information on which to base their bids.

Establish a transparent selection process with clear evaluation criteria. Criteria for selection could of course vary depending on WEB's objectives for each parcel but in general they would be expected to include: ***Non Financial Criteria*** • **technical capability** • **track record – development schemes and Jersey experience** • **professional team** • **delivery plan and ability to deliver against a timetable** • **flair and vision for the scheme** • **willingness and ability to comply with WEB's management framework** • **commercial aspects of proposed scheme, compliance with planning brief/design code and strengths of any non compliant proposals** • **conditionality** ***Financial Criteria*** • **financial standing** • **price- up front and profit share**	Again, on the basis of the control files that we have read we consider that a transparent selection process was followed with clear evaluation criteria. The Esplanade Quarter file for example includes similar evaluation criteria to those which DTZ would normally expect to apply. It is not apparent that clear evaluation criteria were published in advance of the competitive process. It is not always necessary to publish these but where appropriate it can help to establish clear parameters and for the prospective developer to understand the partnering principles that would be important to WEB. Although we are comfortable that effective analysis was undertaken, on the basis of the control files read, we are not clear on whether weightings were applied to the criteria. DTZ has not undertaken an audit of the financial terms secured for any of the transactions. It would be difficult to apply a retrospective review and this is outside our terms of reference. On the basis of the information provided it appears that WEB has sought to achieve an appropriate balance between cash payments whilst protecting its commercial interests by including an overage mechanism so that it can share in future uplifts in value.

Bring each development parcel to the market in a strategic manner to select the best development partner against the agreed criteria.	The timeline in Appendix 5 plots the pre-delivery and construction phases of each parcel to date. Our observations on the release of these sites into the market are as follows: • Our understanding is that the Waterfront was reclaimed, levelled and prepared for development and so there were no abnormal development factors which might have slowed the process of development. Given this we consider that the release of the sites has been slower than expected. • We have highlighted in the introduction to this section some of the factors that may have slowed the process including the Le Pas dispute, generally slow decision making processes in the States Assembly and instances of States interference. • The release of the Waterfront Hotel site as an early phase development parcel would have been unlikely to have maximised receipts as hotel operators generally prefer a more certain operating environment. That said, it is evident that there was some pressure on WEB to achieve an early "win." This in itself is not an unusual strategy in regeneration areas. • The leisure complex is not an attractive scheme to be located at a key gateway site. Clearly commercial leisure operators require good road frontage but we question the merits of releasing this parcel without controlling its long term physical appearance, or the ability to effectively reduce its impact by landscaping. This is a key site which will impact visually on the proposed financial district at the Esplanade Quarter. • Schemes could have been developed in parallel rather than sequentially. This could have created critical mass and added to sense of activity. We recognise that lack of demand and construction market capacity may have been preventing factors. • Our consultations suggest that as well as WEB not leading the process, there was a weak planning system (now strengthened) and political interventions which slowed the process and diffracted the focus. • The slow pace of development has meant that the overall project has progressed against a backdrop of the market cycles.

Move purposefully from a first stage of general expressions of interest to a short list chosen on the basis of the agreed criteria. Shortlisted developers should then be given full information upon which to base their financial and design proposals within defined timetables.	On the basis of our reading of the control files, WEB did move at an appropriate pace to shortlist prospective parties who expressed an interest. We believe that appropriate selection criteria were chosen although the exact evaluation process followed was not always clear.
Maintain competitive tension once the preferred developer has been selected.	In one particular instance it appears that WEB did not maintain appropriate competitive tension. An exclusivity agreement was signed for Les Jardins without any apparent competition and without any restrictions on assignment. The developer subsequently assigned its interest without requiring WEB's consent.

Conclusions and Implications

4.4.2 Our conclusions in relation to the procurement approach of WEB are as follows:

- It is evident that whilst specific schemes have been marketed outside Jersey to some extent, the wider Waterfront opportunity has not been fully exposed or promoted to the international development market. This cannot be wholly attributed to WEB and we recognise the difficulties of entering the market but much more substantial barriers to entry (e.g. currency risk, opaque markets, poor governance, uncertain ownership laws, language barriers etc) have been overcome by many major UK and continental European developers who have entered developing markets in central and eastern Europe over the last 10 years or so.

- Within the limited market that it has pursued, the evidence that we have seen would support the conclusion that WEB operated a level playing field with open and transparent competition. The one exception appears to have been the exclusivity agreement for Les Jardins which was not subjected to market testing. There are some mitigating circumstances given the international tourism and leisure experience offered but we would generally recommend at least some market testing for any future land transactions.

The control files that we have read indicate that there was appropriate competitive tension during the main bidding phases. As detailed earlier in this report there was an instance of where this competitive edge was subsequently relinquished because exclusivity agreements appear to have been poorly drafted.

4.5 Estate Management Protocols and Exit Strategy

4.5.1 It ought to be a critical part of the Waterfront, given its strategic location on the waterfront and adjacent to the town centre, that it is an integrated development: well planned with linkages between buildings and a very high standard of open space, public amenity and infrastructure. As such, it is important that WEB should have put in place effective land ownership and management regimes to enable such integration to take place over the life of the developments and beyond. A clear management framework is also a key building block to enable WEB to prepare a long term exit strategy.

4.5.2 Each individual development parcel needs to be capable of viable development and that the completed development can be sold as a separate investment if necessary. In addition however, WEB should have required that:

- Individual development parcels are compliant with the Masterplan; and
- The value created from individual developments is used in part to contribute to the management of the overall infrastructure.

4.5.3 Combined, these two factors will influence how WEB can exit from the scheme when all component parts have been completed.

4.5.4 In this context, WEB ought to have established an estate management regime which ensured that it – or a successor body to which it might subsequently wish to transfer its interests, such as a Department of the States – maintained long term control over issues such as:

- The type of use of the buildings
- Long term design considerations
- Future management and maintenance requirements

4.5.5 There are of course examples of where individual parcels are sold off without any long term control by the master developer. However if this approach is pursued then it would have to be accepted that WEB would lose control of the long term integrity of the development.

4.5.6 Overall, we consider that WEB has managed to maintain some control over the development but there are two issues which have not been resolved:

- Some significant areas of public realm have yet to be transferred to the Parish. This leaves an annual funding gap for maintenance which requires WEB to retain income producing assets or the allocation of income from the States, e.g. income from the Cafe Fregate is provided to WEB to cover the cost of maintaining Les Jardins de la Mer

- The investment assets that are held are not necessarily best owned by WEB as a development vehicle. WEB maintains that it is better able to manage these assets (e.g. the Waterfront car Park) because it can bring entrepreneurial flair (and in the specific case of the car park needs to use the capacity to enable the Esplanade Quarter development). It is indeed evident that the financial performance of the car park has improved since WEB took control back from Serco, but as a general principle the sustained ownership of these types of assets does not sit easily with an organisation whose primary purpose ought to be the coordination of development.

4.5.7 The following case studies on the Waterfront hotel development and the Esplanade Quarter are illustrative of many of the themes and points set out in this section.

The Waterfront Hotel

The requirement for a branded four or five star hotel formed part of the original Masterplanning brief to Andrews Downie in 1990 and its current location was indentified within P123/1992. The timeline below describes the key stages in the progress of its development over the subsequent 15 years:

1996-1997 – Local and international marketing campaign led to selection of a shortlist of six developers. A development brief was prepared by WEB in consultation with the Planning and Environment Committee (PEC) but was unable to be fixed until June 1998 following a States debate on the location and scale of housing in West of Albert

November 1998-July 1999 – Bilfinger and Berger selected as preferred developer after other shortlisted developers withdrew. In July 1999 the PEC rejected proposed plans for hotel, leading to new design framework

August 1999 – P112/1999 lodged to rescind decision to build hotel and to replace with public green space – this was rejected

January 2000 – February 2000 - Planning application submitted for 238 room hotel, approved subject to elevations.

Feb to June 2000 – Heads of Terms agreed with developer and put before States based on WEB receiving 3% per annum turnover rent

2000-2003 – Market downturn eventually led to Bilfinger and Berger withdrawing from the scheme. - A new development agreement was signed with JWHL as developers and Marriott as hotel operators but by 2004 viability assessments drove a reduction in scale to 189 rooms as a first phase development, and for WEB to agree to reduce turnover rent during first 3 years to allow trading to be established

May 2000 – Petition of 8,200 signatures lodged in States to stop Waterfront hotel

January 2005 – Hotel management agreement signed with Radisson SAS. In direct discussions between the developer and PEC, revised designs omitted balconies on sea front elevations to reduce costs.

March 2005 – Planning permission granted and construction commenced

2007 – Construction completed and hotel opens

Commentary

- Prevailing public opinion is that the resulting building is an unattractive and compromised piece of architecture in terms of its overall form and massing, and the detail of its external design. Indeed it was the unfortunate recipient of Building Design Magazine's national award for poor architecture in 2008.
- In spite of this, we understand that it is now one of Radisson's best performing hotels and the development appears to have acted as a catalyst for some much needed investment in a number of Jersey's other main hotels. Within the last 3 years several have undergone major refurbishments and extensions to enable them to compete.
- Arguably from a commercial perspective, the hotel is in the wrong position on the Waterfront, occupying one of the highest value plots.
- The lack of an unambiguous Masterplan for the wider Waterfront area undoubtedly caused delay and led to the loss of a number of initial bidders in 1996/7.
- States Members rescindment propositions have not aided the procurement process and although overturned, will have acted as a distraction to WEB and potentially undermined bidder's confidence.
- A better overall design could have been addressed by the existence of a clear design code for the Waterfront area at an earlier stage. But it is generally accepted that design was not a prominent issue at the time and this has only recently changed as a reflection of the interest of the incumbent Planning Minister.
- At certain points, e.g.in July 1999, it is clear that relations between WEB and the planning department were not functioning effectively – leading at critical stages to misunderstandings and miscommunications around what would be required within an acceptable planning application.
- Some of the cost saving design compromises were agreed at the eleventh hour between the developer and PEC and did not directly involve WEB. Undoubtedly there will have been an overwhelming political imperative to deliver the hotel after such a protracted delay, but it may be argued that the planning department allowed these changes to stand when with hindsight, they might have pushed back harder against the developer.

The Esplanade Quarter

The Esplanade Quarter is a key strategic site for the future economic growth and prosperity of Jersey, providing the only opportunity for financial sector occupiers to acquire buildings with large modern floor plates. The timeline described below spans a period of growth and subsequent decline in the property market and financial services sector. The risk is that with the planning application still undetermined, Jersey will also fail to capitalise on the next market recovery within the next two to three years.

The Waterfront 2000 Masterplan had the area as two separate development sites – Esplanade Square and Les Jardins.

2004-6 WEB did not competitively tender Les Jardins site and received an offer from David Crossland acting through two wholly owned SPVs to develop a tourism offer on Les Jardins site in a JV with Centre Parcs. The Esplanade site was competitively tendered and marketed in Jersey and overseas. Harcourt were selected for the Esplanade site ahead of Long Port Properties and ING/Hawk. These developers progressed detailed plans and designs in preparation for submitting planning applications. **2006** - Planning & Environment Minister adopted Supplementary Planning Guidance for the Waterfront following an independent inspectors review. The Inspector recommended that the P&E Minister should appoint an architectural advisor to ensure that quality was delivered on the Waterfront and that the remaining developments were co-ordinated.

Hopkins appointed as Minister's architectural advisor and commissioned new Masterplan.

Harcourt took over Crossland's exclusivity agreement with 18 months left to run

July 2007 - WEB entered into Heads of Terms with Harcourt on the whole site.

April 2008 – final version of Hopkins finished Masterplan presented – mixed use development comprising 620,000 sq. ft. office accommodation, c. 400 residential units, a 100 bed hotel, retail and restaurants, 1420 underground car parking spaces and the sinking of La Route de la Liberation

June 2008 - the States Assembly adopted P60/2008 which approved the Esplanade Quarter Masterplan.

July 2008 - the States Assembly rejected P97/2008 to rescind the decision to approve Masterplan.

August 2008 - A hybrid Planning Application for the Esplanade Quarter was submitted by Harcourt Developments Limited and Waterfront Enterprise Board Ltd

October 2008 - A Planning Inquiry was held in and the Inspector reported in December with a strong recommendation to grant permission subject to conditions

14th July 2009 - Heads of Terms with Harcourt terminated.

15th July 2009 – States Assembly approved proposition to delay development with Harcourt until signs of economic recovery (pre-lets of 200,000 sq ft)

August 2009 – Harcourt asked to demonstrate they had funding - WEB ended Harcourt's preferred developer status as this was not forthcoming.

Commentary

- The lack of a clear Masterplan for the area in 2004 created the opportunity for Crossland to come forward with plans that were with hindsight over ambitious, overscaled and unlikely to meet with the approval of the Planners
- WEB did not exert proper control over the public consultation process which was effectively driven by Crossland themselves.
- The exclusivity agreement with Crossland was drafted so as to allow its assignment to Harcourt without WEB having the opportunity to re tender. This was a fairly serious failing on the part of the then legal advisors, WEB executives and arguably also the WEB Board in not understanding the detailed implications of the agreement they were entering into.
- In revoking their preferred developer status, WEB has acted firmly and decisively in their most recent dealings with Harcourt.

5. Financial Review and Contract Commitments

5.1 Corporate Structure

5.1.1 WEB is established as a wholly owned subsidiary of the States of Jersey has a straightforward company structure within which there are four wholly owned subsidiary companies, noted below, all established in 2005 to enable land to be transferred to developers via share sales, without attracting stamp duty land tax. It has no individual profit and loss accounts and the value of the assets held within it is shown on the consolidated balance sheet.

Subsidiary	Land Parcel	Notes
Waterfront 5A to B Ltd	Shell company – holds no assets	Previously held freehold land at Esplanade Square prior to transfer back to States
Waterfront 6C Ltd	Castle Quay Phase 2 Land holding	To be sold to Dandara in accordance with development agreement
Waterfront 6D Ltd	Part of Zephyrus land	Will be merged into a single subsidiary
Waterfront 6E Ltd	Part of Zephyrus land	

5.1.2 We regard this financial structuring as generally appropriate for an organisation whose main purpose hitherto has been to act as a development agency whose transactions involve the sale of land subject to development agreements rather than participation in direct development with the attendant risks.

5.1.3 The subsidiaries arrangements appear sensible from a commercial perspective, as the resultant reduction in purchaser's costs should enable them to offer better commercial terms to WEB, although in so doing is depriving the States of the tax revenue.

5.1.4 We do not believe therefore, that it should expose the States to any particular risks but would advise the States to seek specialist advice from a firm of lawyers or PWC, WEB's accountants and auditors if further reassurance is required. Specialist advice on appropriate company structuring should also be sought if, as anticipated, SoJDC is to undertake direct development either on its own or through joint ventures with private sector partners.

5.2 Financial Position

5.2.2 We have not undertaken a detailed and forensic analysis of WEB's financial position for this review but have received a copy of the audited accounts for 31st December 2009 which contain detailed notes and statements on WEB's financial position and performance over the last year. In summary:

Profit and Loss

WEB showed a net profit for the year of £530,000 derived from:

Turnover	£ 766,000
Operating costs	£1,377,000
Operating Exceptional items	£ 894,000
Finance Income	£ 247,000

Balance Sheet

WEB has total net assets on its balance sheet of £39.5m consisting of:

- Investment properties worth £7.8m
- Other tangible assets of £1.4m
- Current assets investments of £21.86m
- Cash and Debtors of £8.9m
- Creditors of £0.5m

5.3 Commentary

5.3.1 2009 turnover does not cover WEB's operating costs and without the upwards revaluation of its investment properties (totalling £985,000) WEB would have made an operating loss.

5.3.2 The majority of WEB's turnover is derived from income on its investment properties and car park receipts. After the deduction of estate management costs, WEB yields a net annual income of £475,000 which funds a significant proportion of its total operating expenses. The other principal operating costs item is salaries (£830,000).

5.3.3 WEB is also currently responsible for administering a number of States owned assets which are including La Fregate cafe, le Jardin de la Mer Park and maze, Steam Clock and Gardens and the roads and promenades. This costs WEB £222,577 per annum with offsetting income of £23,580 per annum.

5.3.4 Accounting policies require that current asset investments i.e. land held for disposal are valued on the basis of established carrying cost plus capitalised expenditure, however the net realisable value of the same assets taking into account future development potential has been assessed by independent valuers at £71m at the same date.

5.3.5 Current cash resources do position WEB to meet necessary commitments related to developing sites. The market value of land assets it holds could also provide the security for any future borrowing that would be required to fund the East of Albert Development Area and Esplanade Quarter.

5.3.6 WEB's 2010 draft business plan plots a cash flow over the next 10 years which delivers accumulated cash balance of £83.22m by 2019 and its ability to deliver a significant financial dividend to the States in the future will therefore be dependent on achieving planning permissions, development agreements and land sales on these sites at these projected values.

5.4 Contract Commitments

5.4.1 WEB is party to various contracts in the form of development agreements, leases and service & maintenance contracts.

5.4.2 The only extant development agreements are those relating to the developments at Castle Quay and Liberty Wharf. The development agreement for the second phase of the hotel development (now the Westwater site) was terminated.

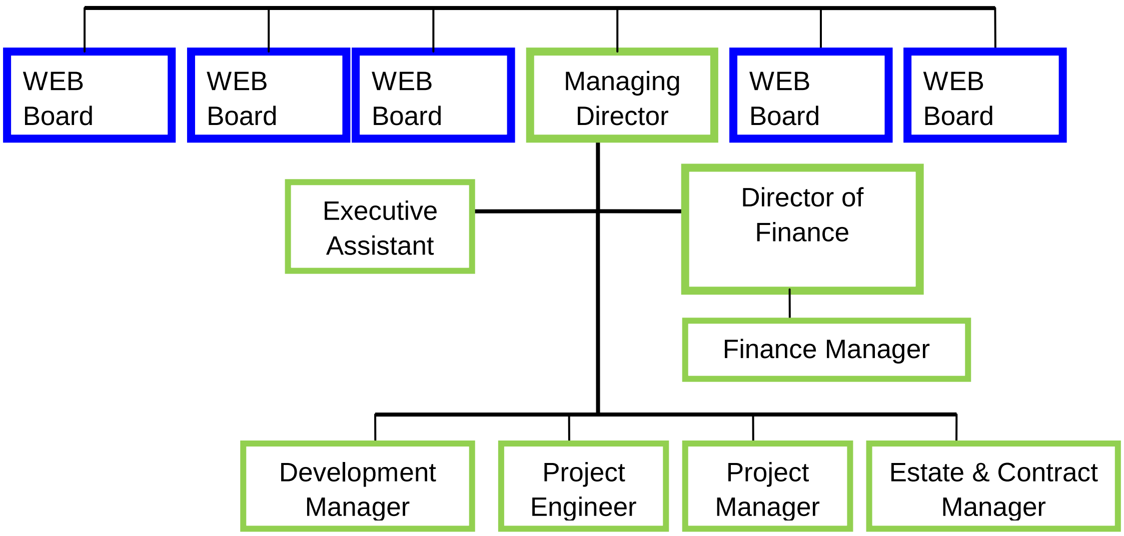
5.4.3 We have reviewed the Heads of Terms of the extant development agreements. All of them contracts confer the majority of their obligations on the counter party rather than WEB, and WEB have identified to us only the following notable contract commitments:

- Castle Quay – WEB is obligated (at its request) to purchase 10 basement car parking spaces in Castle Quay phase 1 for Marina Users.
- Castle Quay – assuming the developer satisfies all conditions precedent, WEB is obligated to sell to Dandara the Castle Quay phase 2 site
- WEB has a contingent commitment to fund £100,000 towards a new youth facility above the Waterfront car park

5.4.4 None of these commitments appear likely to present any significant risks to WEB or to the States as the Shareholder.

6. WEB Organisation and Staffing

6.1 From its inception in 1995 until as recently as 2003, WEB operated with three employed staff – the Managing Director, Finance Director and an administrative assistant. In the period since, the total complement of employed staff has risen gradually to eight roles described in the green boxes below.



6.2 For this review we have not reviewed each job role in detail but to inform a view on the appropriateness of staffing levels within WEB, we have undertaken a desktop review of two UK regeneration bodies, Waterfront Edinburgh and Nottingham Regeneration, with similar characteristics and remit to WEB. A comparison of these bodies alongside WEB is shown in the table below.

	Jersey Waterfront Enterprise Board	Nottingham Regeneration	Waterfront Edinburgh
Scope of Activities	A development agency of the States of Jersey with full responsibility for the co-ordination and promotion of development in the St. Helier waterfront area**.** Total of 80 hectares	To manage the regeneration areas of Eastside, Southside, Waterside and the wider city. Total of 200 hectares	To promote economic and social regeneration, as well as the physical redevelopment of North Edinburgh. One of 3 companies leading the Edinburgh waterfront regeneration, Waterfront Edinburgh owns 50 hectares of waterfront and is fully owned by the City of Edinburgh Council

Resourcing	• Managing Director • Director of Finance & Administration • Finance Manager • Development Manager • Project Manager • Estate & Contracts Manager • 2 x Admin Support • *Project Engineer (on secondment from T&TS)* **TOTAL 8 FTE**	• Interim Chief Executive • Head of Finances and Resources • Director of Regeneration • Regeneration Executive • Principal Project Officer • 2 x Senior Projects Officer • 2 x Admin Support **TOTAL 9**	• Chief Executive • Business Development Director • Development Engineer • Marketing and Communications Manager • Head of Finance • Estates Manager **TOTAL 6 (excl. security)**

6.3 Nottingham Regeneration Ltd

6.3.1 Nottingham Regeneration Limited (NRL) manages the City of Nottingham's three regeneration areas: the Waterside, Eastside and Southside, in addition to regeneration in the Wider Greater Nottingham area. Set up as a public/ private partnership in 1998, Nottingham City Council, East Midlands Development Agency, Homes and Communities Agency and members of the private sector are on the board.

6.4 In partnership with British Waterways, NRL is leading the regeneration of the 100 ha Waterside, with the main focus being on creating a series of new neighbourhoods linked by Trent River Park, encouraging leisure, sports and water activities. At present the Masterplan is in place and Interim Planning Guidance has been adopted.

6.5 The Eastside's 56 ha site has a more urban setting, with intended office, leisure and residential developments. NRL plans to create an extension of the existing high-tech office corridor, an area of student accommodation, specialist retail zones and develop large schemes on flagship sites for public sector organisations and inward investors. Planning permission has been granted for the Greater Island Site, a scheme including 3 million sq ft of residential and 1.4 million sq ft of commercial space.

6.6 The Southside regeneration site comprises 38 ha around the city's railway station; a new transport hub with rail services, tram lines, bus, car and coach interchanges is being constructed to bring more people to the area and act as a catalyst for the development of offices, shops and homes.

Waterfront Edinburgh Ltd

6.7 Waterfront Edinburgh Ltd was created in 2000 to promote, support and effect the development of the site at Granton as identified in, and with accordance to, a Masterplan. This Masterplan has been recently incorporated in the Draft Edinburgh Local Plan, which designates the site as an Area of Major Change.

6.8 The urban design framework and subsequent planning permissions will allow the development of up to 8,000 new houses, offices and business uses, two new neighbourhood community centres with local shopping and community services, two new primary schools and hotel and leisure facilities. A number of residential and commercial properties have been completed, and public spaces such as a square, cycle path and a 17km promenade are planned.

6.9 On comparing Nottingham Regeneration Ltd, Edinburgh Waterfront Ltd and WEB. Our general observations are:

- With only three staff on its payroll until 2003 WEB appears to have been significantly under resourced for a number of years.
- Even now with eight staff, WEB has a very lean resource base with which to deliver its remit – this view is supported by the majority of those both within and outside WEB that we spoke to for the review.
- WEB's staff numbers and the composition of roles compares closely with both the Edinburgh and Nottingham regeneration bodies. In addition to the Chief Executive and Finance Director, Nottingham has five project management and technical staff and Edinburgh has four. This compares to four in WEB. All three bodies have two administrative staff.
- Average salary costs cannot be reliably benchmarked from the information available in the accounts for Nottingham and Edinburgh, but we are informed by WEB's Managing Director that the company commissions independent market benchmarking of employee remuneration on a bi- annual basis.
- WEB outsources legal advice and other professional and technical property services such as valuation and surveys and this approach is common to most regeneration bodies. Some of the larger organisations such as Thames Gateway Development Corporation (LTGDC) which have specific planning determination powers, may have larger internal headcount as a result (LTGDC has around 40 FTEs). We understand that Waterfront Edinburgh has previously employed up to 20 staff directly including architects and surveyors, but has wound this down in response to market conditions
- The Managing Director of WEB has identified a requirement for an additional project manager in the relative short term. If SoJDC is take on a significant direct development responsibility, this would require no more than 2 or 3 project managers, although peaks and troughs in workload could be managed effectively by the hiring of contracted staff.
- If some of WEB's non core property management responsibilities are to transfer back to the States, there may be an opportunity to reduce the resource in this area.

7. Activities Review

7.1 We have identified below the main stages that need to be pursued for an effective delivery of a complex development scheme such as the Waterfront. Clearly this is a high level assessment, the purpose of which is to identify the main stages and tasks in order to inform an assessment of the optimum “owner” of each task.

7.2 We consider this allocation of activities to be entirely consistent with P.79, which seeks above all to separate responsibility for Master planning (the preserve of the Minister for Planning and Environment) from the delivery of public sector development (the preserve of SoJDC either on its own or with private sector partners).

Stage	Tasks	Responsibility to date	Proposed Responsibility
Planning Policy	Setting the strategic framework and policy requirements	SoJ	SoJ
Vision and Objectives	Establishing the baseline, vision and objectives Outlining real estate components Establishing the urban context Strategic fit with Local Development Framework	SoJ but blurred with WEB	SoJ
Strategic Framework	Physical, social and economic assessment	Not clear this was undertaken	SoJ
Spatial Masterplan and Design Codes	Scheme concept Land use zoning Urban design principles Sustainability requirements Site specific frameworks	SoJ, supplement ed by WEB Urban design not addressed at beginning	SoJ
Community Engagement	Establish feedback on Masterplan and Design Codes	Various, led by SoJ and WEB	SoJ

Feasibility Study	Financial analysis Refine scheme concept	Not clear this was initially undertaken at the project level; individual schemes by WEB	SoJDC
Implementation Plan	Phasing Procurement strategy Planning strategy Parcel specific design guidelines	WEB	SoJDC
Design Guidelines	Formulate detailed design guidelines for architects (to comply with Design Codes)	SoJ and WEB	SoJDC
Architects Competition	Optional stage but could establish overall signature design proposals to guide architects for individual development parcels	WEB	SoJDC
Outline Planning Applications	Individual parcel design parameters Detailed applications for main infrastructure	WEB	SoJDC
Community Engagement	Establish feedback on Outline Planning Applications	SoJ, WEB and developers	SOJ and SoJDC
Marketing	Sustained campaign to build and maintain the Waterfront brand – to tie in with subsequent marketing of individual parcels by developers (see below)	WEB	SoJDC
Infrastructure	Design and tendering of procurement of contractors Delivery of key infrastructure	WEB	SoJDC
Developer Selection	Developer procurement strategy Marketing competitions Short-listing Selection of preferred developers *Phased across individual development parcels*	WEB	SoJDC

Detailed Design	Parcel specific designs (likely to be phased over life of project)	*Phased across individual development parcels*	WEB	SoJDC in partnership with Developers where appropriate
Reserved Matters Application/ Full Consents	Phased applications in line with market release of individual parcels	*Phased across individual development parcels*	WEB	
Scheme Project Management	Supervision of Masterplan level controls (design, use, estate management regime etc)		WEB	SoJDC
Pre Construction	Detailed delivery plans Contract tendering		WEB	SoJDC in partnership with Developers where appropriate
Project Management	Detailed supervision of construction		WEB	
Construction	Construction of individual buildings on parcels		WEB	
Marketing	Marketing of individual buildings on parcels		WEB	
Estate Management	Agree regime Ensure effective contributions from parcel developers		WEB	SoJDC
Exit Strategy	Agree strategy and policy for holding, transferring, selling assets once developed Exit		WEB	SoJDC

8. Review of current assets and retention policy

8.1 As described in Section 5, as well as its own land and investment assets WEB is responsible for administering a number of States owned assets which are not held on its own balance sheet.

8.2 The picture presented to us is of a complicated and inconsistent set of arrangements driven by expediency and legacy funding issues rather than by the application of a clear set of principles concerning the retention and management of assets. This gives rise to a number of issues:

- Whilst WEB have highlighted their success in significantly raising income from the car park since taking over the contract from Serco, it is inefficient in the longer term for the States to have both WEB and JPH managing property
- We understand there have been some difficulties in the past in handing back assets where there is no accompanying endowment fund or commuted payment to cover future maintenance and running costs

8.3 Whilst not necessarily critical to the functioning of SoJDC it would seem to us appropriate that as part of the change from WEB to SoJDC, efforts should be made to rectify these anomalies, to place the funding of SoJDC on a more transparent and logical footing, and to allow SoJDC to focus on its main purpose as a development delivery vehicle. The policy for holding assets in future should be guided by the following principles:

- There should be a clear exit strategy for all assets

- In the future, the identification of costs for maintaining public realm etc should be identified as early as possible within the original scheme (i.e. at planning stage).

- New infrastructure that would normally be capable of adoption should be transferred to the parish and funded out of rates. For other areas of public realm within defined development curtileges, with higher than usual maintenance costs or carrying a contingent liability, provisions should be made to capture contributions through estate service charges arrangements or a commuted sum payable from WEB out of land receipts.

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- Completed assets should only be retained by SOJDC where it is necessary to maintain management control in order to support the marketing and sale of new developments in the vicinity (in some cases this may mean retention by SOJDC for a number of years).
- Once developments have been completed, they should be sold in the open market or if there a strategic reason for long term ownership by the States, transferred to SOJ at market value.
- Where assets are sold into the market, they should be subject to an independent valuation to ensure best value is being achieved

8.4 We have applied these principles to a review of WEB's assets and set out in the table below our recommendations for each in terms of sale, retention by SoJDC or transfer back to JPH.

	Interest	Strategy	Comments
Investment Properties			
Waterfront car park	150 year lease	Transfer to JPH	States of Jersey policy to retain ownership of all public car parks. SoJDC should retain management until such time as Esplanade Quarter public car park is available for occupation (200 spaces required for decanting purposes).
Transportation Centre	150 year lease	Transfer to JPH	
Waterfront Hotel	Turnover rent	Transfer to JPH	Could be sold subsequently into market subject to advice on timing of sale to maximise value , and protecting States position on subsequent reversion to higher value use if hotel fails (covenant currently restricts to hotel use)
Weighbridge Square	150 year lease	Transfer to JPH	
JEC substation	150 year lease	Transfer to JPH	
Current Assets			
Harbour Reach	150 year lease	Retain in SoJDC	It may be expedient for SoJDC to retain this asset whilst it continues to occupy it, rather than transferring to JPH and leasing back

Land Holdings			
Esplanade Quarter	150 year lease	Retain in SoJDC	All land holdings should be retained until developed out to allow SoJDC to act as an effective interface between the States and the market, or to carry out its own development.
Castle Quay Phase 2	Freehold	Retain in SoJDC	
Westwater	150 year lease	Retain in SoJDC	
Zephyrus	Freehold	Retain in SoJDC	

9. Asset Transfer Protocols

9.1 When initially incorporated as a company, WEB did not have any assets transferred to it. Instead, it had administrative control over the land. It was subsequently agreed in 2002 that an interest in the land within the Waterfront should be vested in WEB. It was agreed that the majority of the development land would be transferred from the States under a 150 year lease at a peppercorn rent.

9.2 In practice, not all of the land was transferred:

- WEB has drawn down such elements of the demised land by way of individual leases as and when required to facilitate specific schemes.
- Some undeveloped land within the Waterfront therefore continues to be vested in the States.
- Some areas that have been developed without a long lease and therefore also continue to be vested in the States for reasons that have not been made clear. These areas are: Liberation Square, the Steam Clock, Jardin de la Mer (including Le Fregate). For these assets the maintenance liability and any income derived has remained with WEB.

9.3 It is apparent that the protocols for land transfer to WEB have changed over its life and that the protocols have been implemented inconsistently. The SoJDC proposition sets out high level principles for the transfer of assets based on recommendations made in our original report. In the course of producing our report these have been developed into a set of more detailed protocols which are included in Appendix 6.

9.4 These are in summary that:

- For land or buildings outside designated Regeneration Zones, transfers from JPH to SoJDC should be at market value, assessed by an independent valuer.
- For land or buildings within designated Regeneration Zones, independent valuations should be obtained on both an open market basis (taking into account any existing planning permissions), and on a residual basis that takes into account its position within a wider Masterplan area and the particular asset's share of the costs of delivering public realm and infrastructure improvements to that area.
- A political decision can then be made as to whether to transfer the asset at lower than market value, in order to progress the regeneration scheme.

- Privately owned land may be acquired, either by private treaty or through compulsory purchase by the States, with SoJDC meeting the transaction costs upon transfer

- New public infrastructure should ordinarily be transferred to the respective parish, with costs of future management met by increases in Parish rates generated from development.

- If agreement cannot be reached with the parishes, it can be transferred back to JPH at a nominal sum but with an appropriate revenue stream to cover future costs.

9.5 These protocols establish an effective platform for the development of more detailed set of transfer arrangements to apply to specific schemes and assets in the future.

10. Risk Management Regime and Project Risk Plans

10.1 As the role of SoJDC changes to encompass direct development, its approach to risk management needs to be articulated clearly via:

1) A clear set of risk management policy standards that define a framework by which business and operational risk is managed in the performance of SoJDC activities to meet the requirements of business management and good governance.

2) A codified set of processes that reflect the nature of activities being undertaken, the nature of business and operational risks faced and the level of control considered necessary to protect the interests of stakeholders.

10.2 Risk management principles are set out in Proposition P79/2009 and the accompanying Memorandum of Understanding relating to the creation of SoJDC. We have already commented on these in detail in our Review of Proposals for SoJDC in May 2009 and consider them to be appropriate for the future operation of the company.

10.3 We have also explored with WEB their current approaches to risk management at a project level and established that a number of these principles are supported by existing good practices and processes within WEB including market demand assessments, the application of sophisticated financial risk modelling tools in assessing project feasibility, and risk management matrices that are used to manage non financial risks through the project lifecycle. These processes have already recently been collated by WEB into a risk assessment and management plan which includes:

1) A high level rating of the reputational, political, financial, human resource and industry relationship risks encountered at the feasibility, pre construction, construction and post construction phases of projects

2) A more detailed two stage approach to analysing financial risk at project feasibility stage which references specific industry standard risk management tools and methodologies including @Risk software, the Hurwitz approach to optimism bias and SWOT analysis.

3) A sample risk register to serve as a risk management tool through all project stages beyond feasibility.

10.4 We have also reviewed examples of development industry good practice in the management of risk, and have enclosed in the Appendix 7 a draft policy standard for further consideration by the SoJDC Board, and below, a consolidated risk assessment approach which identifies the principle internal and external areas of risk SoJDC at both corporate and project level, their potential impacts and how they should be mitigated.

	Description	Impact	Mitigation
Political risk	Delays due to challenge and indecision in States Assembly	Inability for SoJDC to deliver development	Managed through effective political leadership by Treasury and Resources Minister
Corporate Risk	Fraud and misstatement	Reputational damage, financial loss, operational disruption	External audit, access controls, segregation of duties, dual payment signatories,
	Health, safety and environmental risk- safety of visitors to property and environmental performance	Impact on reputation or criminal proceedings resulting in financial impact	Annual health and safety audit and risk assessments
	Income risk	Impact on revenue if occupier fails – e.g. Radisson hotel	Regular credit review of tenants, e.g. Radisson
Development /Project Risk	Site assembly risk - Inability to acquire third party interests	Unable to progress developments at all or on budget	Buy into part or all of sites early as income producing investments Experience of CPO
	Feasibility Risk	Threat of development and financial loss	Regular monitoring of local market data on prices/rents, demand, supply and government policy; Regular monitoring of UK, EU and global market trends Commence developments when market conditions are favourable or a pre let of part is in place Financial viability testing using Palisade, a well recognised risk management software package which uses Monte Carlo analysis to test multiple cost, value and timing scenarios Qualitative (non financial) project risks to be assessed using standard risk matrix approach. This assesses specific risks prior to, during and post construction and is employed as an ongoing risk management tool throughout the life of the project. (Example enclosed in Appendix)

	Planning risk – proposals fail to gain support and planning consent	Unable to progress development in timely manner	Prior adoption and approval of Masterplan by Minister of Planning and Environment prior to transfer of assets to SoJDC Skilled development management team Public consultation capabilities Relationships with key stakeholders No infrastructure works will be procured until detailed planning permission has been received on vacated development sites and detailed financial appraisals support the development of the scheme.
	Construction risk - Cost overruns or poor management New and different procurement methods Supplier capacity, capability and financial stability	Returns eroded by cost overruns or project completion delayed Costs in excess of assumptions in appraisals Lack of competition in tendering Poor supplier performance	Use of specialist advisors Contingency provision in appraisals Entering into fixed price and fixed delivery construction contracts; Requiring the contractor to provide full latent defects cover; Requiring the contractor to provide adequate performance bonds; Requiring adequate retentions from the contractor; Monitoring the construction works. Monthly or more regular design team meetings for each construction project will be held between SoJDC, the Project Manager, the Contractor, the Architect and the Quantity Surveyor
	Letting risk Developments remain unlet after completion or fail to meet targets Increasing requirements for incentives from tenants	Impact on income or valuation	Entering into pre-sale/pre-let agreements before committing to a scheme; and selling units “off-plan” during construction.

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10.5 Governance

10.5.1 It is not within the terms of reference of this review to consider the proposed governance arrangements for SoJDC but it was matter given prominence in many of our interviews and has a bearing on the how political and commercial risk is managed.

10.5.2 Effective risk management requires appropriate oversight by a strong Board and Shareholder. We agree that this will be better delivered in future through the move to the Treasury and Resources Minster as the main Shareholder under new proposed arrangements which will bring necessary clarity to the role of SoJDC and experience from the oversight role with Jersey Telecom and Jersey Water.

10.5.3 The separation of the Minister for Planning and Environment from the Regeneration Steering Group (RSG) ensures a clear distinction of responsibility for planning policy, and for the interpretation of the States requirements and directing SoJDC in their delivery.

10.5.4 It was particularly apparent during our consultation that there was a divergence of views between WEB and its current Board, and States Officers as to the likely effectiveness of proposed governance arrangements and the role of the RSG. (We recognised at the time some of WEB's concerns that the RSG has the potential to slow up decision making and the questions raised in the Corporate Services Scrutiny Panel Report in October 2009 around the role of the Minister for Treasury and Resources on the RSG.

10.5.5 In response to these concerns, the Chief Minister and WEB Board have met in the intervening period to ensure there is clarity over the role of the RSG. As a result, revisions to the proposition are planned to ensure that this is fully understood by the States Assembly. These are in summary:

- That the RSG's role is in the development planning aspects of regeneration (i.e. translating masterplans into workable development plans).In this sense the RSG provides a guiding framework for the activities of SoJDC in delivering a particular Development Plan.
- This work will require a contribution from a range of States Departments and SoJDC itself and RSG will provide political guidance and co-ordination to the process of regeneration to ensure a balanced outcome.
- Other than receiving regular progress updates and approving any changes to agreed Plans, the RSG has no direct responsibility for operational matters relating to the SoJDC, which is the responsibility of the Board of Directors.
- SoJDC will be responsible for delivering plans and the political accountability for this delivery and the operation of the company rests solely with the Treasury and Resources Minister.

10.5.6 In our view the RSG is a necessary structure/vehicle for providing political oversight and for ensuring that SoJDC is not perceived as being purely commercially driven. It needs to be chaired effectively to deliver the required consensus and clear direction to SoJDC.

10.5.7 We also endorse the recruitment of an experienced property industry figures as Chairman and non executive directors of SoJDC to take decisions on the management of the company and to bring effective challenge to the Executive on development risks and commercial arrangements

11. Capacity of WEB to purchase private assets

11.1 P79 identifies that as well as continuing the activities of WEB in developing the Waterfront, the Jersey Development Company (SoJDC) may also “purchase and develop property assets that are required to achieve the regeneration strategies of the Regeneration Steering Group”.

11.2 We do not see any legal impediment to SoJDC purchasing private assets in its own right but if there is any question over this, would recommend that clear legal advice is obtained.

11.3 Assuming this to be the case, we recommend that such purchases should be governed by the following set of principles and protocols:

1) All acquisitions of private, third party assets should be undertaken in the context of a need to rationalise land ownerships as part of a clear regeneration strategy rather than as ad hoc opportunistic purchases.

2) They should not be pursued in preference to the acquisition or transfer into SoJDC of State owned assets that would satisfy the same strategic objectives.

3) Proposed purchases should be subject to a business case approved by the Treasury and Resources Minister which sets out the strategic and commercial rationale.

4) Acquisitions should be undertaken on a transparent arms length basis.

5) They should be negotiated on the basis of Open Market Value and underwritten by a third party valuer.

6) Individual property transactions will be approved by the Treasury and Resources Minister and be subject to a published Ministerial Decision

7) Compulsory Purchase should only be pursued as a last resort where acquisition by negotiation is unlikely to succeed.

8) Where compulsory purchase powers are required, the Minister for Planning and the Environment will be the acquiring authority and States Assembly approval will be required. Once acquired through CPO, the assets can then be transferred to SoJDC on the basis of the protocols set out above in Section 9.

APPENDICES

Appendix 1 – Terms or Reference

States of Jersey

Review of the Waterfront Enterprise Board

Terms of Reference

16th November, 2009

1. Introduction

1.1 The following Terms of Reference sets out the background to, purpose, key objectives and outline timescales for a review of the Waterfront Enterprise Board ("WEB") in relation to the proposal to restructure of WEB into States of Jersey Development Company ("SoJDC").

2. Purpose

2.1 The Chief Minister of the States of Jersey (SoJ) requires an independent external review of WEB in relation to the proposal to restructure WEB into the SoJDC and to implement new arrangements for oversight of regeneration within the Island.

2.2 The purpose of SoJDC is to act as the retained development company for the delivery of regeneration of property and infrastructure projects for the SoJ.

2.3 As part of the political scrutiny review and subsequent debate of the proposal, the need to undertake a review of WEB has been identified. The scrutiny report recommended, amongst other things, a review of the activities undertaken by WEB, and the assets it holds.

2.4 The States Assembly has determined that this review should take place and be presented to the House before it debates the SoJDC proposition again.

3. Background and Context

3.1 The SoJ established WEB in 1995 to promote the development of the waterfront in St Helier. Over the last 14 years it has delivered a significant number of new buildings and associated infrastructure (see document 9). All of these developments have been subject to the relevant SoJ and/or Ministerial approvals.

3.2 The SoJ also set up Jersey Property Holdings (JPH) in 2006 to manage more effectively the property assets of SoJ and to identify in particular surplus and underutilised assets that could be disposed of. In certain cases relating to particular regeneration strategies, such assets could instead be redeveloped by SoJDC as the preferred developer.

3.4 The remit of WEB is currently limited to the redevelopment of the St Helier Waterfront whereas the need going forward is the promotion of redevelopment and regeneration throughout the Island of Jersey. SoJ has therefore been examining options for establishing a suitable structure to facilitate this work.

3.5 In June 2009, the Council of Ministers ("CoM") submitted to the States Assembly the proposition to form SoJDC (P.79/2009). This set out a revised structure which clearly separated the functions of Master planning, Development Specification and project delivery.

3.6 The Corporate Services Scrutiny Panel ("Scrutiny Panel") carried out a review of the proposal and submitted a report and recommendations (S.R.9/2009) to the States on the 2nd October 2009.

3.7 The Chief Minister responded to this report on the 19th October, 2009 accepting all its recommendations.

3.8 On the 3rd November 2009, the States Assembly debated the proposal to form SoJDC and decided to 'refer-back' the proposition pending the outcome of those reviews identified by the Scrutiny Panel. This effectively postponed the debate on SoJDC until all the reviews requested by the Scrutiny Panel have been completed and the findings available to States Members.

4. The need for review

4.1 The Scrutiny Panel made a number of observations where it felt further detail was required. The principle area was that a review of the activities currently undertaken by WEB, and the assets it holds, would confirm what activities SoJDC would undertake and thereby lead to a clearer understanding of the rôle of the new Company within the revised arrangements for regeneration.

4.2 WEB presently operates as a development agency, preparing master plans, specifying development projects, holding property from which it derives a rental income to cover the costs of maintaining the retained property and public realm as well as promoting the delivery of development projects. In the new structure SoJDC would have an Island wide geographical remit but will confine its activities to project delivery.

4.3 WEB holds and manages its estate for a necessary period in order to maximise the development value of its development sites and to assist developers during the period of sale or rental of the underlying residential or commercial product. The intention is to hand the assets back to the SoJ when development is completed.

4.4 The recommendation of the Scrutiny Panel within S.R. 9/2009 was that, before the company becomes operational, the Chief Minister should commission an independent review of the activities and the assets of WEB and establish what activities and assets should be held by the new company.

4.5 Other issues identified by the Scrutiny Panel that need to be addressed by the review include:

- setting out clear protocols for the transfer of assets between JPH and SoJDC;
- developing a detailed risk management regime, including individual project risk management;
- review the capacity of SoJDC to purchase privately owned assets and put in place protocols to ensure that the most effective vehicle is used in such purchases.

4.6 As a result of the States debate on 3rd November 2009, a review will need to be completed discussed and facts checked with the Board of WEB and findings shared with the Corporate Services Scrutiny Panel and published to States Members before the debate on SoJDC proposals can be undertaken.

5. Terms of Reference

5.1 The Terms of Reference for the proposed review are as follows:

a) To review and evaluate the past and current performance of the Waterfront Enterprise Board in the promotion and delivery of regeneration projects in the St Helier Waterfront area, including:
   - what WEB has delivered;
   - the benefits delivered to the States of Jersey as a result;
   - the current financial structure of WEB, and its contract commitments.

b) To review the structure and levels of staffing within WEB and advise the Minister how this compares with comparable development companies.

c) To review the current activities of the Waterfront Enterprise Board in respect of regeneration master planning, development promotion, project specification, project implementation and exploitation; and to advise the Chief Minister on which activities are appropriate to the proposed operation of the SoJDC and where those activities not thought to be appropriate should be undertaken.

d) To review the current assets held by WEB, their tenure and value, income generation and holding costs and to advise the Chief Minister as to which assets should be retained in SoJDC, which should transfer to the Public and the timing of such transfers.

e) To review and establish clear protocols for the transfer of assets between JPH and the Company.

f) To develop a detailed risk management regime that includes individual project Risk Management Plans.

g) To review the capacity of the SoJDC to purchase privately-owned assets and to advise on the protocols required to ensure the most effective vehicle is used to effect such purchases.

5.2 The outcome of the review will be a report setting out the key findings from the above, which will be discussed and facts checked with the board of WEB and which will be shared with the Scrutiny Panel and published to all States Members in advance of the debate. It should be noted that the findings will become public domain.

6. Management of the Review

6.1 The review has been commissioned by the Chief Minister. Based on the review he will develop a proposition to be considered by the Council of Ministers before being shared with the Scrutiny Panel and submitted to the States Assembly as part of the debate on SOJDC.

6.2 The Chief Executive of the States of Jersey will be responsible for the co-ordination of the review.

7. Timeline

7.1 The following outline timeline is envisaged, though this will be subject to review on agreement of proposals to undertake the work:

Task	Timescale
Agree ToR & Initiate Review	Nov '09
Review completed* and discussed with WEB and considered by the COM and the Scrutiny Panel	Jan/Feb'10
Share with States members	Feb/Mar '10
States Debate and decision, including proposals resulting from the review	Mar '10
Appointment process for Board	Mar - Jun '10
States appoint new Chairman and Directors	Jul '10
Company comes into existence	Jul '10
New Board implements changes in structure required for revised role of company	Jul – Dec '10

* subject to proposal

8. Subsequent Organisational Issues

8.1 The States decisions in relation to the activities and holding of assets will be binding on the Treasury and Resources Minister and the Company. However it is the responsibility of the Board to determine and implement changes to the structure and operation of SOJDC. Clearly as the company will have a new remit and a new Board, one of the first duties of that Board will be to review the structure. Any organisational changes arising from the above will also be the responsibility of the new Board.

9. Documents

9.1 All necessary documents will be made available for the purpose of the review including:

1. Report and Proposition proposing the establishment of the Jersey Development Company (P.79/2009) dated 2nd June, 2009 and amendments.
2. The Corporate Services Scrutiny Panel report " The Jersey Development Company", dated 2 October, 2009 (S.R.9/2009).
3. The Chief Ministers response to S.R. 9/2009, dated 19th October, 2009.
4. P195/1995 the establishment of WEB
5. P45/2002 the transfer of freehold and long (150 year) leasehold land holdings to WEB.
6. WEB audited accounts for 2006, 2007 and 2008.
7. WEB 2009 and 2010 Business Plans (including 10 year cashflow forecast).
8. Full details of WEB assets including red book valuations.
9. History of WEB detailing each project and States of Jersey directions, decisions and approvals.
10. Review of Corporate Governance of WEB, Comptroller and Auditor General, 24th November, 2008.

Appendix 2 – Asset & Project Schedule

ASSET SCHEDULE

	Asset	Description	Date of completion	Interest	Procurement Approach	Cost	Funding source	Land Receipts	Overage YES/NO	Transfer in value of land at 31/12/2004	Notes
	Infrastruture and Public Realm										
1	Les Jardins de la Mer and La Fregate	Public park, water maze, cafe	1997	None	Delivered by WEB via tendered construction contract	£2,200,000	WEB Share capital	n/a	n/a		
2	Waterfront car park and gardens	Underground car park and rooftop gardens. 500 spaces	1999	150 year lease	Design and construction commissioned by WEB. Delivered via tendered construction contract	£7,800,000	WEB Share capital	n/a	n/a	£2,400,000	Operated by WEB and will transfer back on completion of West of Albert
3	Steam Clock and Gardens			None		£989,000	WEB Share capital		n/a		
4	Roads and Promenades, incl. street improvements			Freehold		£5,600,000	WEB Share capital		n/a		
5	Weighbridge and landscaping on Esplanade and Route de la Liberation	Public Square	2008	150 year leasehold	Procured directly by WEB based on Hopkins design	£2,250,000	WEB cash	n/a	n/a		
6	JEC substation	At Liberty Wharf		Sublet by WEB to JEC for 99 years			n/a		n/a		
7	Havre des Pas Bathing Pool					£1,490,000					
8	Boat Hoist and Quay at La Collette					£1,000,000					
9	Skateboard Park					£125,000					
	Completed Developments					**£21,454,000**					
1	Maritime House	Office Development for Jersey Harbours, Customs and Immigration	2000	None	Delivered by WEB via tendered construction contract. 2 stage Design and build	£4,000,000	Loan from RBSI	n/a	n/a		
2	Victoria and Albert Pier Housing	300 to 350 housing units including 75 social rented and 78 for first time buyers	2003	None	Tendered construction contract following architectural competition	£26,000,000	Capital grant from SoJ	Costs covered by house sales	n/a		Site administration tranferred to Housing Committee after development
3	Waterfront Leisure Complex	Cinema, leisure and competiton pool, health and fitness studio, 2 fast food restaurants, night club and cafe, public house, public square	2002	150 year lease of 8 vergees of land granted to CTP Ltd (developer) for payment of £620,000.	Development Agreement procured via tender and preferred developer approach	£10,900,000 paid to CTP via WEB for leisure pool	Capital grant from SoJ	total land receipt £1.07m (base land payment £0.62m)	Yes - additional payment of £0.45m		
4	Waterfront Hotel	195 4 star hotel and conference facilities	2007	WEB holds long term financial interest. 150 year lease of 5.6 vergees granted to Jersey Waterfront Hotel Holdings Ltd (developer)	Development Agreement procured via tender and preferred developer approach		Third party developer finance	No fixed land payment - to be paid via Room Turnover	n/a	£1, 750,000 (includes Westwater site)	WEB will receive 3% of room turnover from year 4 to 2153 (expiry of 150 year lease)
5	Harbour Reach	42 residential apartments and commercial space on groud and first floors	2006	150 year lease sold by WEB to developer in 2004. 150 yr lease retained by WEB on 4,000 sq ft ground floor unit in lieu of financial interest	Development Agreement procured via tender		Third party developer finance	No fixed land payment - exchanged 25% interest in total commercial space for ground floor office (=30% of commercial space)	n/a	£1,100,000	WEB had 25% share of commercial rent roll. 9 months post PC only40% of the commercial space had been let. The entire commercial space had been marketed for 3 years. WEB was in need of slightly larger office space and realised that the ground floor space at Harbour Reach would not let as a restaurant as not enough foot fall. WEB would therefore receive £nil return from that element of commercial space. WEB approached developer who was also not receiving a return, to trade WEB's 25% financial interest for the 4,000 sq. ft. ground floor unit (representing 30% of the commercial space)

	Sold/Development Agreement Signed and under Construction										
1	Liberty Wharf (Island Site)	Mixed use scheme of 85,000 sq ft offices, bus station, 60 be aparthotel, 10,000 sq ft serviced offices, tourism office and 58,000 sq ft retail	2010	150yr leasehold sold to Islands Development Limited (Harcourt). WEB retained 150 year leasehold ownership of transportation centre. Leased by WEB to SoJ on 9 yr lease	Development Agreement procured via tender and preferred developer approach		Third party developer finance				Additional payment of £1m following change of use from hotel to office without WEB approval (quantum determined by expert based on submissions & counter-submissions)
2	Castle Quay Phase 1	Phase 1 - 350 residential units (75% pre sold) plus retail and restaurants	2010-2012	Freehold site sold to Dandara to undertake development of phase 1	Dandara purchased Les Pas site (50% of what is now Castle Quay site) Board agreed to enter into negotiations with purchaser of Les Pas site		Third party developer finance				
	To be sold and started										
1	Castle Quay Phase 2	Planning application submitted in December 2009 for 280 resi units and 20,000 sq. ft. of commercial		Freehold			Third party developer finance				
2	Westwater	Land with consent for 11 luxury residential units	2012	150 year leasehold. Development agreement signed in 2008 but condtions not met by extended deadline in August 2009							WEB now looking at undertaking this development directly with a total return ranging from a worst case £5.7m to a best case of £10.1m and a most likely case of £7.1m
3	Esplanade Quarter	Masterplan area for 600,000 sq ft offices, 400 reseidential units, 100 bed hotel, retail, restaurant and underground car park (1420 spaces)		150 year leasehold Heads of Terms agreed with Harcourt Devpts in 2007 based on £50m guaranteed min return to WEB. Planning application submitted but approval pending. Heads of Terms have been terminated	Esplanade Square site was competitively tendered. Les Jardins site was negotiated with Crossland given his tourism connections (founder of AirTours/MyTravel)						
4	Zephyrus	59 apartments, plus car parking and commercial		Freehold Planning application submitted in June 2009. Will be sold for development once consent received.							

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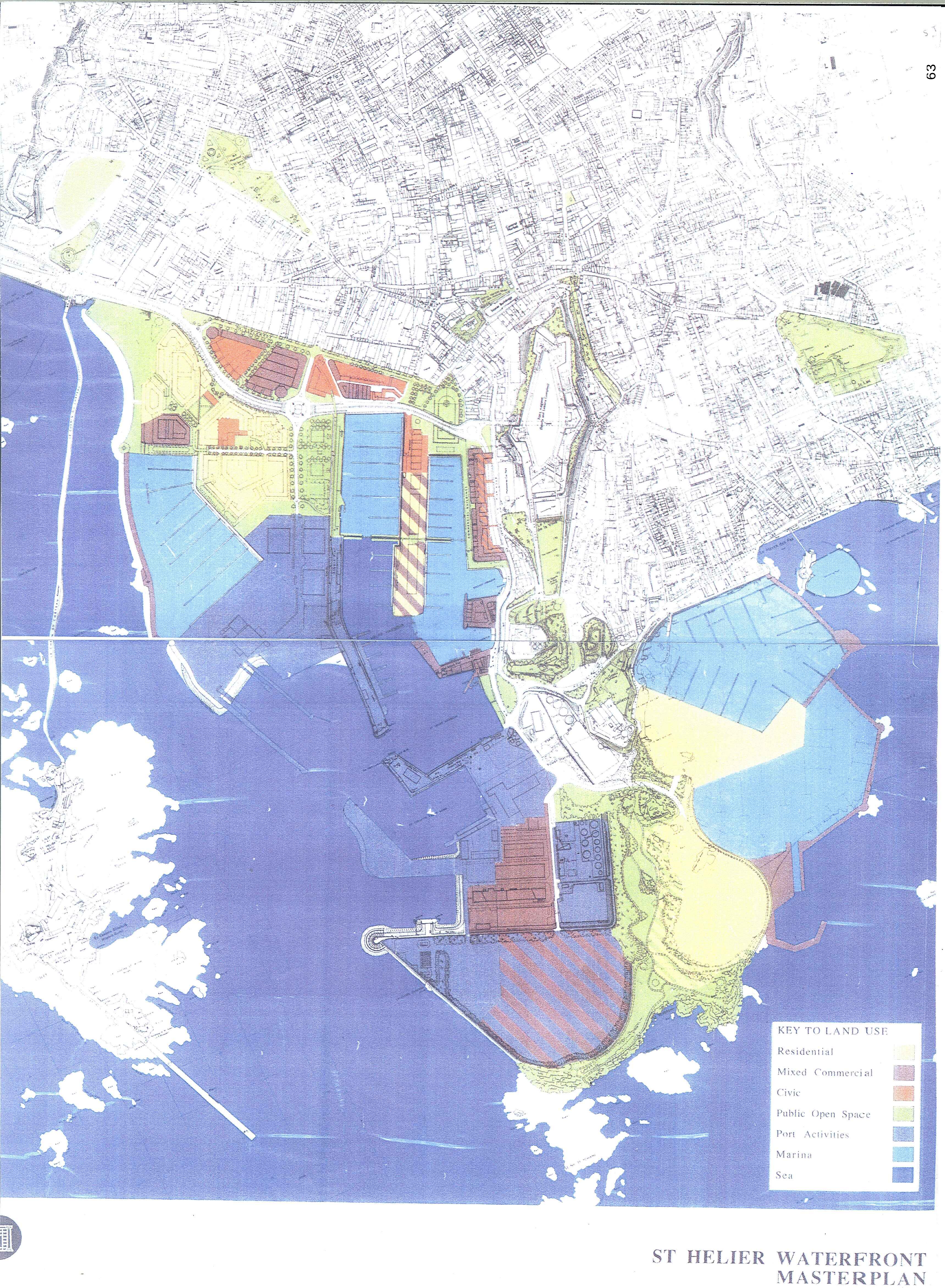
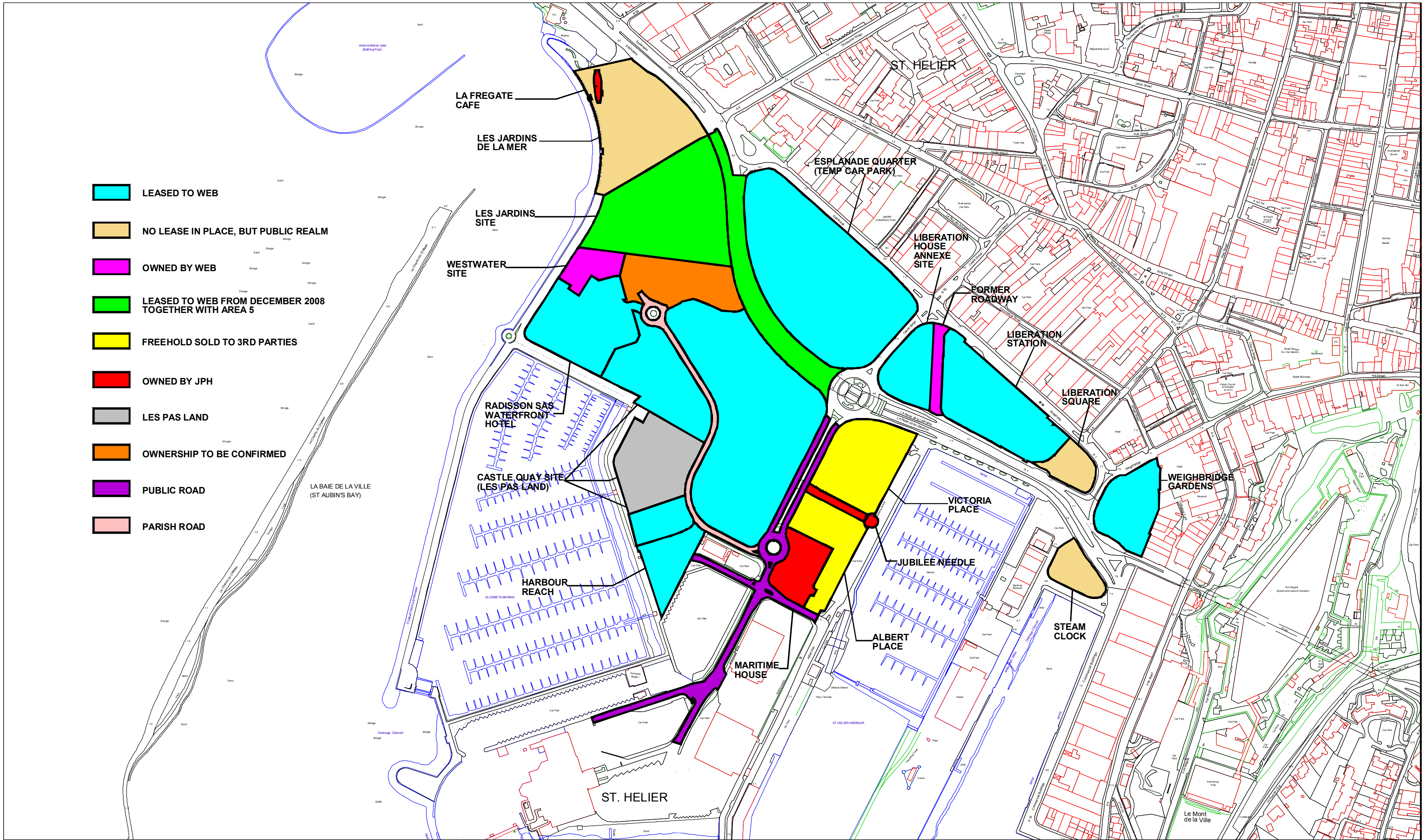
Appendix 3 - Map 3-92 for Waterfront Development Area



ST HELIER WATERFRONT
MASTERPLAN

Appendix 4 - Land Transfer plan



Drawing No: 50-P31	**Waterfront - Land Interests** Boundary Information Supplied by the States of Jersey Planning Office, but no responsibility can be accepted for error.	States of Jersey	COPYRIGHT STATES OF JERSEY

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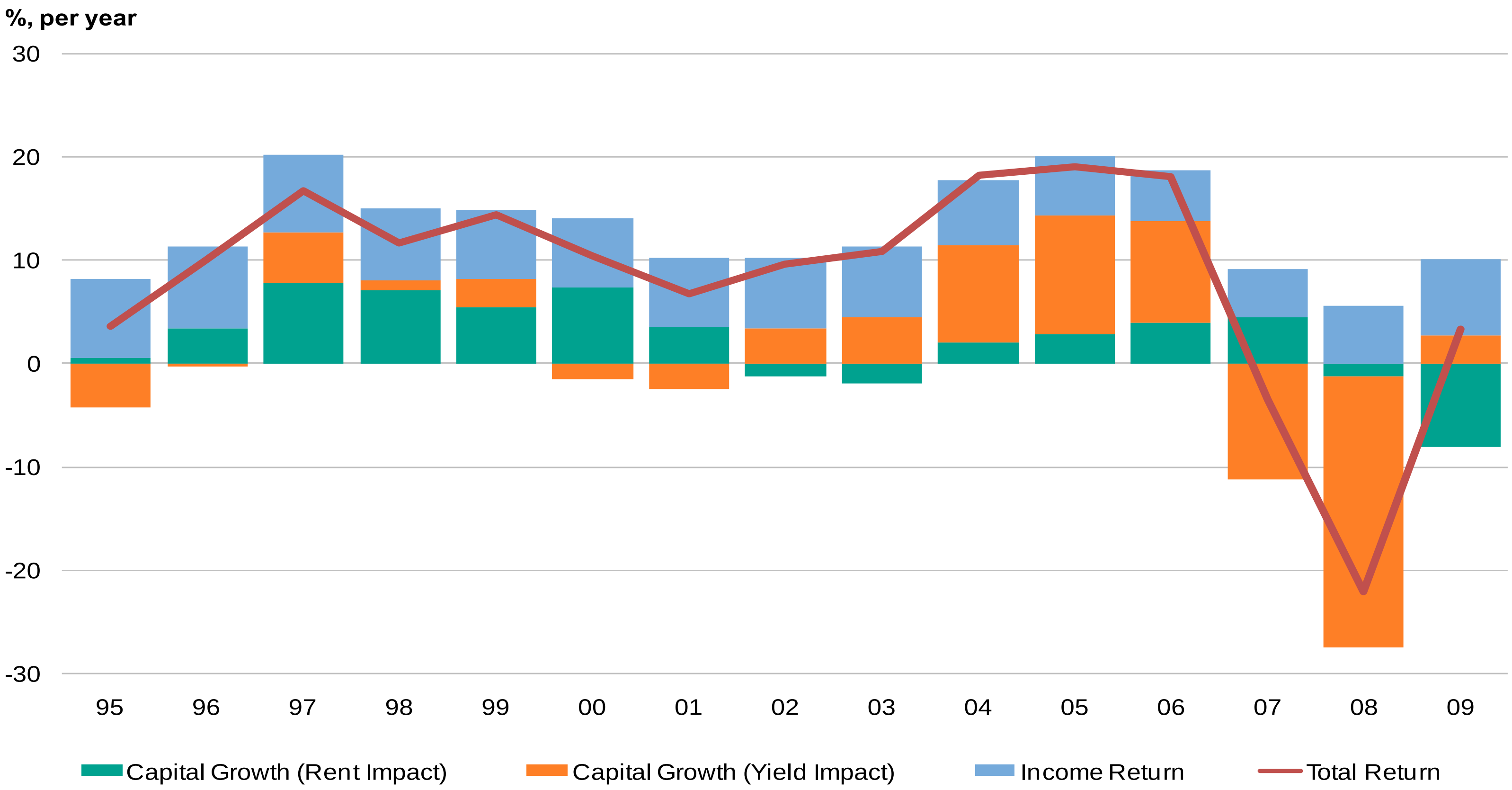
Appendix 5 - Projects Timeline

		1992	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
WEB Corporate History			WEB established for initial 10 year period via P156 /1995.WEB received £20m share capital from States of Jersey.							Remaining land holdings in West of Albert transferred to WEB under P45/2002							
	WEB Chairman		Wade 9.1.1993–12.2.1996	Filleul 13.2.1996-20.8.2000				Bralsford 21.8.200–20.8.2003			Tibbo (Acting Chair)	Horsfall 2.3.2004-20.8.2006		Voisin 20.8.2006–4.7.2008		Tibbo (Acting Chair)	
	WEB Chief Executive		Scally Aug 1994-31.3.2003								Maragson 1.4.2003–31.8.2006				S Izatt 8.5.2007		
	Total Staff – (FTE)	3	3	3	3	3	3	3	3	3	3	5	5	6	6	7	7
Planning History		Andrew Downie Map no 3-92 approved as development plan for Waterfront						Public consultation on new Masterplan						Supplementary Planning guidance issued on Waterfront following Inspector's report		Approval of Esplanade Quarter Masterplan	
Project Delivery Timeline																	
Les Pas Dispute																	
Les Jardins and Cafe	Planning & Procurement																
	Construction																
Waterfront Car Park	Planning & Procurement																
	Construction																
Maritime House	Planning & Procurement																
	Construction																
V&A Pier Housing	Planning & Procurement																
	Construction																
Waterfront Leisure	Planning & Procurement																
	Construction																
Waterfront Hotel	Planning & Procurement																
	Construction																
Harbour Reach	Planning & Procurement																
	Construction																
Liberty	Planning & Procurement																

Wharf	Construction																
Weighbridge Site	Planning & Procurement																
	Construction																
Castle Quay	Planning & Procurement																
	Construction																
Westwater	Planning & Procurement																
	Construction																
Esplanade	Planning & Procurement																
	Construction																
Zephyrus	Planning & Procurement																
	Construction																



Appendix 6 – Asset Transfer Protocol

Protocols for the Transfer of assets to and from the States of Jersey Development Company ("SoJDC")

1 Principles

1.1 The States of Jersey ("SoJ") is establishing SoJDC as a development company. The prime purpose of SoJDC is to deliver regeneration projects to provide the best socio-economic benefit to SoJ. This will be in the form of enhancing the value of existing properties through refurbishment, the development of new properties, infrastructure and public realm. Regeneration assets may be retained by the Public (SoJ) or disposed of to realise capital proceeds. Property held by either Jersey Property Holdings ("JPH") or SoJDC will be consolidated within the SoJ accounts.

<u>Transfers to SoJDC</u>

1.2 JPH carries assets on its balance sheet valued on their existing use basis.

1.3 For assets within a regeneration zone that could be transferred to SoJDC, JPH will commission an independent land residual valuation of those assets that are capable of being developed independent of an adopted masterplan.

1.4 Where land and property is transferred from JPH to SOJDC, the transfer value will be the market value of the property in its existing condition, with its existing development permissions.

1.5 However, where any land and property is within a Regeneration Zone and where the Regeneration Steering Group has identified a requirement for public realm and infrastructure, an independent assessment of value and costs will be commissioned by the Regeneration Steering Group ("RSG") with inputs agreed by JPH and SoJDC. This independent assessment will determine the land residual value of the sites within a particular regeneration zone under the adopted masterplan. This independently determined land residual value will be the transfer value of land from JPH to SoJDC.

1.6 There will need to be a political decision to progress with the regeneration scheme instead of disposing of certain land.

1.7 Any land to be transferred from JPH to SoJDC which is outside of a regeneration zone will be the subject of an independent valuation to determine market value commissioned by JPH. Such valuation will form the basis of the transfer value from JPH to SoJDC.

1.8 The land which forms the basis for a Regeneration Zone will generally comprise a combination of property currently in Public ownership and privately owned property which will be acquired by mutual agreement or by Compulsory Purchase at Market Value prior to development.

1.9 Where property is acquired by JPH of behalf of the Public under Compulsory Purchase powers for transfer to SoJDC, SoJDC will meet the acquisition costs inclusive of all fees and disbursements at the time of transfer.

<u>The Transfer of assets from SoJDC</u>

1.10 In recognition of the potential additional new income from parish rates generated from any completed new developments in a regeneration zone, the respective Parish should be approached to take ownership of any new areas of public infrastructure and public realm which cannot reasonably be sold as part of a commercial development. In which case the liability for any ongoing maintenance would pass to the Parish.

1.11 In the event that a binding agreement cannot be reached with the respective Parish for the transfer of ownership of public realm and where the transfer value of assets by JPH to SoJDC has recognised and taken account of the costs of providing any exceptional items of public infrastructure and public realm (over and above that which might be already taken into account by the external valuer in assessing Market Value), the transfer back of completed public infrastructure and public realm by SoJDC to JPH shall be at a nominal sum.

1.12 Public realm and infrastructure transferred back to JPH must be accompanied by an appropriate revenue stream (e.g. alfresco income, car parking revenue and/or rental income) which provides sufficient income to meet the future property operating costs

2 Accounting and Budgeting

2.1 JPH and SoJDC are both within the States of Jersey group accounting boundary and are required to prepare accounts in accordance with UK GAAP, as interpreted by the Jersey Financial Reporting Manual (JFReM) and associated Financial Directions and procedures.

2.2 All assets belonging to JPH and SoJDC will be recorded in accordance with UK GAAP, interpreted by the JFReM and associated Financial Directions and procedures.

2.3 Accounting for the transfer of assets between the JPH and SoJDC will be undertaken within the group boundary in accordance with the JFReM and associated Financial Directions and procedures. The Treasurer will provide direction on the specific accounting entries for each transfer.

2.4 Where an asset is transferred from JPH for the purpose of development and/or regeneration under paragraph 1.5, above, this is not intended to result in a loss of income or charge against the JPH budget unless budget has been provided for this purpose.

2.5 Where an asset is transferred from a States trading operation for the purpose of development and/or regeneration under paragraph 1.5, above, it is not intended to financially disadvantage that operation.

3 Detailed Protocols

3.1 Detailed protocols will be prepared for the transfer of assets relating to individual schemes and all schemes will be subject to development agreements in accordance with all the principles set out above.

3.2 The Minister for Treasury and Resources will consider all of the principles set out above including detailed protocols and development agreements and the financial obligations thereto before any scheme is approved.

Appendix 7 – Draft Risk Management Policy Standard

DRAFT POLICY STANDARD

Introduction This Policy Standard sets out the detailed requirements and minimum levels of achievement necessary to implement the risk management elements of the business risk imperative of SoJDC.

Taking and managing appropriate levels of risk is an integral part of all our business activities. Risk Management, performed rigorously and comprehensively, creates stability, indirectly contributes to profit and is a key element of reputation management.

1 Definitions

Risk is defined as events that may prevent achievement of the aims or goals of one or more key business or project stakeholders.

Risk Management is a systematic way of protecting business resources and income against losses so that the objectives of the SoJDC can be achieved without unnecessary interruption.

Risk Assessment is the systematic process of identifying and analysing risks.

2 Objective and Commitment

SoJDC is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with its activities as a means of minimising the impact of undesired and unexpected events on our business activities. It will therefore:

- identify business objectives that reflect the interests of all our stakeholders
- identify the threats to the achievement of our business objectives
- control and manage our exposure to risk by appropriate risk reduction and mitigation actions
- regularly review our exposure to all forms of risk and reduce it as far as reasonably practicable or achievable
- apply robust risk management processes as part of a wider management system
- educate and train our staff as appropriate in risk management
- regularly review the risks we face as a result of our business activities and of the business and economic climate in which we operate
- identify cost effective risk treatment options
- identify and regularly measure key risk indicators and take appropriate action to reduce our risk exposure
- regularly review our key risk controls to ensure that they remain relevant, robust and effective

We will demonstrate achievement of the individual components of this Policy Standard through the preparation of documented procedures, the reporting and review of risk at all levels of the business and a monitoring and audit programme to ensure that the processes are being implemented.

3 Principles

We will carry out risk assessments regularly, record the findings and take appropriate management actions in a timely fashion. Risk reviews will specifically address business, operational, financial and reputational risks as well as risks covered by Health and Safety and Environmental Protection legislation

In particular, the following activities will be undertaken:

• comprehensive risk assessment performed during proposal development

• integrated contract and risk management processes

• regular review and update of risk register

• preparation of contingency plans for high risks

• early identification of emerging risks and initiation of risk reduction or mitigation action.

Where appropriate, we may need to consider specialist advice for areas such as:

• health and safety

• environmental protection

• fire and security

• disaster recovery

• insurance

• media/public relations

4 Requirements

SoJDC is expected to have established systems and procedures which address the issues set out below in ways appropriate to the type of business being undertaken.

4.1 Processes

• Processes in place to identify the risks associated with SoJDC's activities, assess risks in terms of probability and consequence and evaluate reduction and mitigation measures and allocate ownership. Management of risk is a continuous process.

• Training to ensure all relevant management and staff understand and implement this Policy Standard.

4.2 Risk Assessment

• Risk assessments conducted for development projects, property acquisitions, new and existing contracts and contract changes. The assessments are to address potential risks to the expected benefits and to compliance with relevant legal requirements. These risk assessments form a key part of the formal approval process for the project.

• Risk assessments performed by competent personnel including, where appropriate, expertise from external advisors.

• Procedures established to update risk assessments at appropriate intervals and to review these assessments regularly.

4.3 Planning

• Management plans prepared which describe the actions to be taken to address any significant risks.

• Key risk assessments and management measures referenced in project approval documentation.

4.4 Management

• Assessed risks addressed by levels of management appropriate to the nature and magnitude of the risk and an overall view of the portfolio risk to the business is taken.

• Risks considered in the light of potential opportunities

• Decisions documented and the resulting actions implemented

• Appropriate and cost-efficient actions taken to manage and control risks.

• Specific measures in place to ensure continuing compliance with Health and Safety and Environmental Protection legislation.

4.5 Reporting

• Procedures to ensure that regular reports identifying key risks and risk management actions are prepared for each project, contract and business and that summary reports are submitted to the Board.

4.6 Audit & Review

• A programme of regular audits and reviews to ensure that the risk management procedures are being followed and that planned risk reduction/mitigation actions have been implemented.

• A regular review of the risk management policies and procedures to ensure that they continue to meet Corporate Governance requirements and the needs of the business.

5 Responsibility and Authority

This policy standard is issued under the authority of the Chief Executive of SoJDC. Responsibility for implementation of this policy standard is set out below.

• Responsibility for the achievement of this policy standard rests with the Executive Team.

• All staff are responsible for the ownership and undertaking of their risk management functions in accordance with this Policy Standard and for its implementation within the framework of SoJDC’s procedures and directives.

6 Evidence of Compliance

To demonstrate compliance with this Policy Standard, the following documentation is to be available for audit:

- Risk Management Policy Standard (this document)
- Risk assessment of SoJDC activities
- Internal and external Audit reports
- Operating procedures
- Project Risk Management Plans and Risk Registers
- Project reviews and sign-off