

Strategic Outline *Case*

Winchester City Council

Central Winchester Regeneration Project

Contents

1 Executive summary	4
1.1 Introduction	4
1.2 Strategic case	5
1.3 Economic case	5
1.4 Commercial case	7
1.5 Financial case	8
1.6 Management case	8
1.7 Project management arrangements	8
1.8 Gateway review arrangements	9
1.9 Recommendation	10
2 The Strategic Case	11
2.1 Strategic context	11
2.2 Organisational overview	12
2.3 Business strategies	12
2.4 Existing arrangements	15
2.5 City needs	15
2.6 Potential business scope and key service requirements	16
2.7 Main benefits criteria	16
2.8 Main risks	17
2.9 Constraints	17
2.10 Dependencies	18
3 The Economic Case	19
3.1 Introduction	19
3.2 Critical success factors (CSF)	19
3.3 The long-listed options	20
3.4 Assessment 1: Solution options	20
3.5 Assessment 2: Implementation options	25
3.6 Assessment 3: Solution delivery options	27
3.7 Assessment 4: Funding options	42
3.8 The long list: inclusions and exclusions	43
3.9 Short-listed options	44
3.10 Short-listed options	46
4 The Commercial Case	47
4.1 Introduction	47
4.2 Required services	47
4.3 Potential for risk transfer	47
4.4 Proposed contract lengths	48
4.5 Procurement strategy and implementation timescales	48
5 The Financial Case	49
5.1 Overview	49
5.2 Financing Assumptions/ Key inputs	49
5.3 Impact of Kings Walk capital expenditure	50
5.4 Assessment of affordability	50
5.5 Sensitivity Analysis	51
5.6 Summary/Conclusion	51

6 The Management Case	52
6.1 Introduction	52
6.2 Project management arrangements	52
6.3 Use of special advisers	53
6.4 Gateway review arrangements	54
7 Sources	55
8 Appendices	57
8.1 Appendix A – Phasing Options 1	57
8.2 Appendix B - Development Proposal	63
8.3 Appendix C – Site Boundaries	65

1 Executive summary

1.1 Introduction

A Strategic Outline Case (SOC) is required for a Gateway review 1 by the Winchester City Council (WCC) for the Central Winchester Regeneration (CWR) programme. This programme is following the recommended Green Book approach to developing business cases to support programme and project decisions as outlined in the below table.

Business case development process

Stage	Stage 0	Stage 1	Stage 2	Stage 3
Stage outcome	<ul style="list-style-type: none"> Strategic Assessment 	<ul style="list-style-type: none"> Strategic Outline Case 	<ul style="list-style-type: none"> Outline Business Case 	<ul style="list-style-type: none"> Full Business Case
Stage activities	<ul style="list-style-type: none"> Determine the strategic context 	<ul style="list-style-type: none"> Scoping the scheme Making the case for change Explore the preferred way forward 	<ul style="list-style-type: none"> Planning the scheme Determine potential value for money (VfM) Preparing for the potential deal Ascertaining affordability and funding requirement Planning for successful delivery 	<ul style="list-style-type: none"> Procuring the solution Contracting for the deal Ensuring successful delivery
5 Case Model completeness expectation	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Strategic 50% Economic 40% Commercial 20% Financial 30% Management 10% 	<ul style="list-style-type: none"> Strategic 80% Economic 70% Commercial 60% Financial 60% Management 50% 	<ul style="list-style-type: none"> Strategic 100% Economic 100% Commercial 100% Financial 100% Management 100%
Gateway review	0: Strategic assessment	1: Business justification	2: Delivery strategy	3: Investment decision

Guide to developing the project business case

To date, there has been significant work done on developing the development proposals and a wide range of stakeholder engagement, including public consultation. This has enabled the CWR project team to provide an SOC report that has progressed elements of the 5 Case Model beyond the required level of completeness, including the level of detailed assessment of the scope and solution delivery short-listed options and the progress made on the financial appraisal.

Approval of this report will therefore enable the CWR project team to progress through Stage 2 more expediently and onto the Full Business Case in Stage 3, following which the development can be implemented.

1.2 Strategic case

1.2.1 The strategic context

WCC seek to fulfil the strategic intent and investment objectives of the Supplementary Planning Document through the development and regeneration of the Central Winchester site.

1.2.2 The case for change

The case for change has been outlined in two primary sources, the Central Winchester Regeneration Supplementary Planning Document (SPD) and the Winchester City Council Plan 2020- 25. These documents aligned in outlining the key areas that need to be addressed and have been consolidated into the project's investment objectives:

#	Investment Objective	Description
1	Work	Provide creative, flexible workspaces to help grow start-up businesses and allow like-minded professionals to support each other by sharing skills, ideas and resources.
2	Live	Provide housing suitable for a range of people, including young people and families. A mix of private and affordable housing is needed with new homes for key workers and homes for rent.
3	Play	Create high quality exceptional public places where people want to spend time, to enjoy outside spaces, to experience new things, to celebrate heritage and culture and to get involved in something that interests them.
4	Student and young person experience	Create a mix of uses which is attractive to students and young people. Which encourages them to visit the centre of Winchester instead of going elsewhere and gives them reason to want to stay in the city beyond their time at university.
5	Overnight tourism	Create an attractive night-time offering to complement the existing city quarters and encourage residents and tourists to visit the area in the evening.
6	Sustainable development	Work towards the city carbon neutrality target through choice of building materials, measures to minimise energy use, re-use of buildings where appropriate and encouraging suitable modes of transport.

1.3 Economic case

The purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects.

The economic case outlines the options considered in 4 primary assessment categories:

- Solution options – choices in terms of specifications and coverage of the development (the “what”)
- Implementation options – choices in terms of the delivery timescale (the “when”)
- Solution delivery options – choices in terms of method of delivery (the “how”)
- Funding options – choices in terms of financing and funding (the “who”)

These have all been categorised on a continuum from “business as usual” through to “do maximum” approach with each option assessed against the following key critical success factors:

1. Alignment to city needs
2. Alignment to the Supplementary Planning Document
3. Alignment to the Investment Objectives
4. Achieving the benefits optimisation
5. Affordability
6. Obtaining planning permission

1.3.1 The long list

The long list across all assessment categories is included in the table below, along with the summary finding:

Option	Descriptor	Finding
Assessment 1: Solution		
1.1	Do nothing	Excluded. Will result in the city centre continuing to degenerate
1.2	Do minimum	Excluded. Will not result in the required vibrant mixed-use quarter
1.3	Do more than minimum	Excluded. Will not result in the required vibrant mixed-use quarter
1.4	Do maximum	Included. Option most closely aligned with the investment objectives
Assessment 2: Implementation		
2.1	Single Phase	Excluded. Not aligned to SPD phased development approach
2.2	Incremental	Included
Assessment 3: Solution delivery		
3.1	Disposal- Freehold or Long Leasehold	Excluded. Insufficient control of the development and alignment to SPD
3.2	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels disposed of on a Freehold basis and brought forward by multiple developers	Excluded. Insufficient control over the development of the sold land parcels.
3.3	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels in the defined site	Excluded. High WCC expenditure and resource requirement. Lack of market appetite for reduced developable area
3.4	WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Included as shortlisted option
3.5	Contractual agreement (i.e. development agreement) across the defined site with one development partner	Included as preferred option
3.6	WCC acting as master developer	Excluded. Significant cost, risk and resource requirements.
Assessment 4: Funding		
4.1	Private funding	Included as a blend of both private and public funding is preferred
4.2	Public funding	Included as a blend of both private and public funding is preferred

1.3.2 The short list

The outcome of the detailed analysis where the advantages and disadvantages of each option were weighed up resulted in the following short-listed options. Option 3.5 is the preferred option which will be taken through to the OBC and FBC stages.

Assessment category		Included options	
Solution		Option 1.4 Do maximum	
Implementation		Option 2.1 Incremental implementation	
Delivery	Option 3.4- Shortlisted WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the site	Option 3.5- Preferred Contractual agreement (i.e. development agreement) across the defined site with one development partner	
Funding		Blend of private & public funding	

1.4 Commercial case

The purpose of this section of the SOC is to assess the required resources and the principles of the procurement strategy against the shortlisted and preferred options.

1.4.1 Procurement strategy

The Commercial Case section of the SOC outlines the proposed deal structure in relation to the shortlisted and preferred options outlined in the Economic Case. The detailed consideration of the Commercial Case only takes place at OBC stage. However, this SOC contains an initial, less detailed overview of the proposed procurement route.

Subject to approval of the preferred delivery route option 3.5, WCC will require the procurement of the following **primary contract**:

- A development partner, for the defined site, on the basis of a development agreement

1.4.2 Required services

In addition to the above primary contracts, WCC are likely to require additional specialist services as follows:

- Internally (support required for the following WCC teams):
 - Legal
 - Estates
 - Finance
 - Procurement
- Externally, the following support is required:

- Continued strategic advisor support is required at a programme level
- Specialist resource to prepare the Outline Business Case (“OBC”) and Full Business Case (“FBC”)
- External legal advice
- Communications support

1.5 Financial case

To assess the financial impact of both shortlisted options, an affordability model has been developed to illustrate both the overall capital cost of each option (showing the peak Council funding requirement) and the impact on the Council’s annual revenue budget.

In summary, the shortlisted options (3.4 and 3.5) will require a Gap Funding position (assuming no borrowing). Option 3.4 would require a gap funding (external grant, developer contributions or additional council contribution) of £7.9m and option 3.5 £4.8m. Although these gap funding amounts would not require any Council borrowing, they would still generate a negative revenue position across the life of the scheme. Neither options can generate a positive revenue position (Discounted NPV) with any amount of gap-funding.

Sensitivity analysis has also been completed which show that there is a 71% chance Option 3.4 produces a positive net capital position, 99% for Option 3.5. The percentage chance of achieving a net positive revenue position for both options is less than 1%.

1.6 Management case

This section of the SOC addresses the ‘achievability’ of the scheme. Its purpose is to set out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

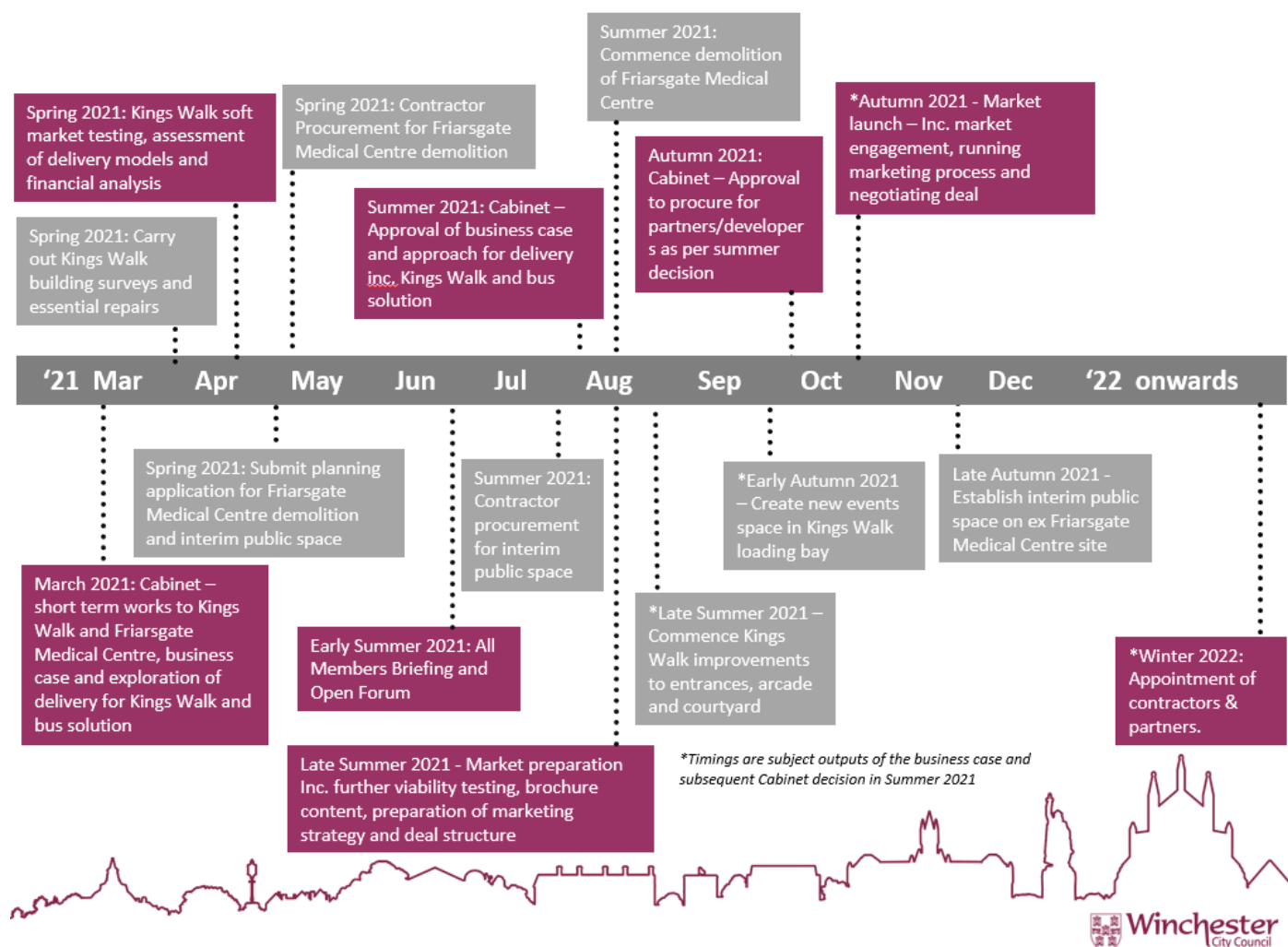
1.7 Project management arrangements

The project will be managed in accordance with the council’s major projects and programme management requirements PRINCE 2 methodology. A decision approval body (WCC cabinet) and a project team incorporating a core team supplemented with specialist service leads.

1.7.1 Outline project plan

The below project plan outlines the key tasks and their expected dates:

Strategic Outline Case Central Winchester Regeneration Project



Winchester public participation presentation

1.8 Gateway review arrangements

The WCC cabinet will sign-off all Gateway reviews. Cabinet have confirmed that the CWR project team can request cabinet meetings to undertake these reviews on an ad hoc basis and that they do not need to align with the current scheduled cabinet meetings. The key gateway review points are as follows:

Gateway Reviews

Gateway	Descriptor	Review report	Expected review date
Gateway 0	'Strategic Assessments' on an ongoing assurance of programmes at the start, delivery and closing stages	Included in Strategic Outline Case	21 July 2021
Gateway 1	'Business Justification' prior the detailed planning phase.	Strategic Outline Case	21 July 2021
Gateway 2	'Delivery Strategy' prior to the procurement phase.	Outline Business Case	Autumn 2021
Gateway 3	'Investment Decision' prior to contract signature.	Full Business Case	Spring/Summer 2022
Gateway 4	'Readiness for Service' prior to 'going live' and implementation of the If scheme.		

Gateway	Descriptor	Review report	Expected review date
Gateway 5	'Operational Review and Benefits Realisation' following delivery of the project, establishment and/or decommissioning of the service		

Guide to developing the project business case

1.9 Conclusion

This Strategic Outline Case touches on elements within all 5 of the Cases: Strategic, Economic, Commercial, Financial and Management. Significant work has been done to analyse and evaluate the solution, and solution delivery options. The conclusion of this work is that the preferred option 3.5, a contractual agreement with a single development partner across the defined site, be presented to the WCC cabinet for a recommendation on the way forward, which may include the development of the Outline Business Case and Full Business Case for the preferred option only.

Signed:

Date:

Senior Responsible Owner

Project team

2 The Strategic Case

2.1 Strategic context

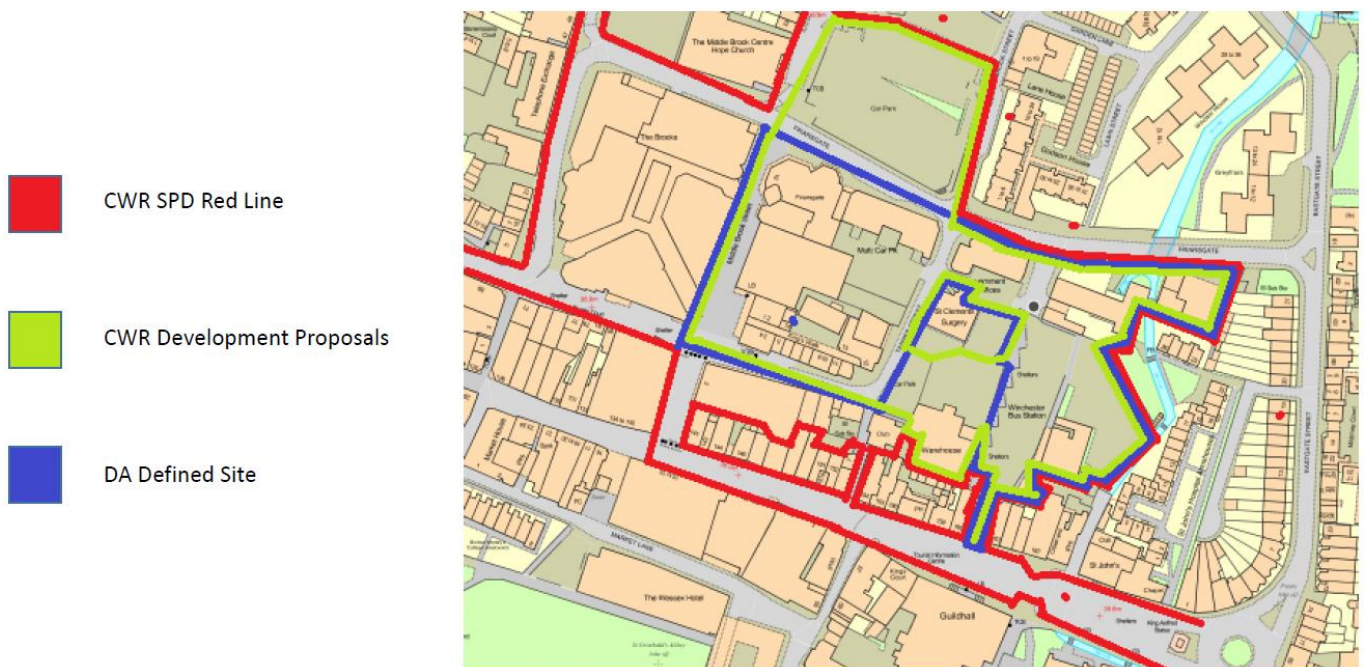
WCC seeks to fulfil the strategic intent and objectives through the development and regeneration of the Central Winchester site (referred to throughout this document as CWR).

The vision includes plans for attractive buildings, streets and places designed and laid out with Winchester character and scale to preserve what makes our city special and what we've begun to call 'Winchesterness'. By bringing a balance of restful and active spaces in the heart of the city and opening up the culvert to the east of the site, we will create public realm that is a positive legacy for the city.

Creating a new bus solution and, in the longer term, routing buses away from The Broadway and High Street to allow for environmental improvements to accommodate markets and other street-based activities, the regeneration of the area will aim to serve the whole community in a balanced approach.

2.1.1 Development Site Boundaries

The map below shows the boundaries of the site.



- The area outlined in red illustrates the area defined in the Central Winchester Regeneration Supplementary Planning Document (SPD) (see section 2.3.2 in this document). This includes areas such as Middle Brook Street Car Park, the Brooks Shopping Centre and The Broadway.
- The area outlined in green illustrates the area within the Central Winchester Regeneration development proposals, which includes Middle Brook Street Car Park but excludes St Clements Surgery. This is shown in greater detail in Appendix A and B.

- The area outlined in blue represents the defined site that would be included within a development agreement. This includes only WCC-owned land and excludes the M&S leased land.

For the purpose of this Strategic Outline Case, all development options (long list and short list) refer to only the land within the blue line and is referred to as the 'defined site'.

2.2 Organisational overview

WCC is a local authority in Hampshire and manages a wide variety of services for its residents and visitors. WCC have responsibility for planning, housing, waste collection, Council Tax and Business Rates collection, leisure services, tourism, benefits administration and many more services.

2.3 Business strategies

2.3.1 WCC 2021 Refresh of the Council Plan 2020-25

The Council Plan 2020-25 was refreshed for 2021 and adopted by Council on 24 February 2021. It sets out the priority outcomes for the Council and identifies the important issues that will be addressed over the life of the Plan through the work of the Council and its partners.

The Council Plan is focused on five key outcomes that WCC want to achieve in the coming years in a way that is consistent across their aims. These priority outcomes are:

- Tackling the climate emergency and creating a greener district
- Homes for all
- Vibrant local economy
- Living well
- Your services, Your voice.

The outcome of WCC's combined aims will be a district where everyone enjoys the opportunities and quality of life that come from living in the Winchester District.

2.3.2 CWR Supplementary Planning Document objectives

The Central Winchester Regeneration Supplementary Planning Document (SPD) was developed to ensure that the special qualities found in the heart of Winchester are retained and enhanced and that any future development is of a high-quality design, coordinated and sustainable.

The SPD derives from relevant planning policies from the National Planning Policy Framework (NPPF), the Local Plan Part 1 (March 2013) and the Local Plan Part 2 (April 2017), particularly policies within the LPP2 which include WIN2 – Town Centre, WIN3 – Views & Roofscape, WIN4 – Silver Hill Mixed Use Site, DM15 – Local Distinctiveness, DM26 – Archaeology, and DM27 –

Development in Conservation Areas. The NPPF and Planning Practice Guidance prioritise sustainable development and set out core principles for the design of the built environment, requiring local authorities to seek opportunities to meet the development needs of the area through the planning process.

The NPPF promotes competitive town centre environments which provide customer choice and a diverse retail offer whilst reflecting the individuality of the place. A range of other uses are expected to support the viability and vitality of the town centre, including leisure, offices, markets and a wide choice of quality homes.

The nine objectives of the SPD are:

- Objective 1 – Vibrant Mixed-Use Quarter
- Objective 2 – “Winchesterness”
- Objective 3 – Exceptional Public Realm
- Objective 4 – City Experience
- Objective 5 – Sustainable Transport
- Objective 6 – Incremental Delivery
- Objective 7 – Housing for All
- Objective 8 – Community
- Objective 9 – Climate Change and Sustainability

Progress on CWR supports the council plan priorities by working to deliver a vibrant new mixed-use development that will be creative and innovative to help reach the net carbon zero targets for WCC by 2024 and for the wider Winchester District by 2030. The CWR Supplementary Planning Document (SPD) details aims and objectives for the scheme and a planning and urban design framework which are in alignment with the council plan priorities.

The scheme will deliver towards the homes for all priority through the residential element of the development. It will support a vibrant local economy by working to fill the gap of affordable and flexible commercial space, enhancing the evening economy offer and creating an area aimed at attracting and retaining the young and creative talent in the City.

The SPD covers the area within the red line site boundary shown in the map in Section 2.1, as well as in Appendix C.

2.3.3 The case for change and investment objectives

Whilst we aim to achieve cost neutrality, it is recognised that financial gain or aim to make a profit is not an objective for the CWR project. The SPD sets out a vision and objectives for the area. The SPD is derived from 18 months of research and analysis, working with residents and local organisations through extensive consultation to establish a vision that will revitalise this central area of city and provide a place that can be enjoyed by everyone.

Research which followed the adoption of the SPD has further broadened our understanding of gaps in the market and how the central Winchester area can help to address these.

JLL undertook a Competitive Positioning study in 2019 which assessed the strengths, weaknesses, opportunities and threats for the city. The analysis has shown that the structure of Winchester’s population is not balanced in terms of age demographics. There is an ageing population living within Winchester and the city struggles to retain young talent due to a lack of affordable living opportunities, workspace and employment.

This imbalance, plus the impact of the COVID19 pandemic on the national economy will pose significant threat to Winchester’s prosperity and resilience. It is vital we invest now to ensure the city continues to attract people to live, shop, visit and work.

The following objectives have been identified to help address the issues which are currently contributing to Winchester’s imbalanced age demographic whilst delivering to the SPD objectives and fulfilling the vision which so many helped to shape.

List of investment objectives

The list of investment objectives were determined by reviewing the SPD and applying these through a process of competitive position analysis and the ‘Three Scenarios’ work. These investment objectives formed part of a public consultation in November 2020 and were also reviewed by key WCC stakeholders in May 2021.

#	Investment Objective	Description
1	Work	Provide creative, flexible workspaces to help grow start-up businesses and allow like-minded professionals to support each other by sharing skills, ideas and resources.
2	Live	Provide housing suitable for a range of people, including young people and families. A mix of private and affordable housing is needed with new homes for key workers and homes for rent.
3	Play	Create high quality exceptional public places where people want to spend time, to enjoy outside spaces, to experience new things, to celebrate heritage and culture and to get involved in something that interests them.
4	Student experience	Create a mix of uses which is attractive to students and young people. Which encourages them to visit the centre of Winchester instead of going elsewhere and gives them reason to want to stay in the city beyond their time at university.
5	Overnight tourism	Create an attractive night-time offering to complement the existing city quarters and encourage residents and tourists to visit the area in the evening.
6	Sustainable development	Work towards the city carbon neutrality target through choice of building materials, measures to minimise energy use, re-use of buildings where appropriate and encouraging suitable modes of transport.

WCC stakeholder engagement

2.4 Existing arrangements

- Dated area

The CWR area is a dated area of the city centre. Many buildings are vacant, unsightly and have fallen into disrepair. Businesses are struggling due to lack of footfall / desire from others to move into / visit the area.

- Antisocial behaviour and squatting

Issues with antisocial behaviour and squatting are not uncommon, creating security issues and further costs for the council.

- Cost to council

The council currently pays out large sums of money towards business rates and maintenance fees for unoccupied buildings.

- Friarsgate Medical Centre – c. £65k per annum; and
- Kings Walk – c. £25k per annum non recoverable service charge plus significant ongoing maintenance costs
- Unbalanced age demographic

A Competitive Position Study to assess the strengths, weaknesses, opportunities and threats for the city has demonstrated that the structure of Winchester's population is not balanced in terms of age demographics. There is an ageing population living within Winchester and the city struggles to retain young talent due to a lack of affordable living opportunities, workspace and employment opportunities.

- COVID-19 impact on tourism and wider economy

The impact of COVID-19 on the national economy along with the reduction in tourism income poses a significant threat to Winchester's prosperity and resilience. In order to address this Winchester will need to consider ways to encourage and attract overnight tourism.

2.5 City needs

- Rejuvenation of the city centre

Without investment into the area, ongoing costs and issues referred to above will continue to escalate, the imbalance within Winchester's age demographic will continue to increase and recovery from the pandemic will be compromised.

It's therefore vital we invest now to ensure the city continues to attract people to live, shop, visit and work.

- COVID-19 Pandemic recovery

There is a need to work towards ensuring Winchester's recovery from the COVID-19 pandemic, whilst recognising the challenges this pandemic poses to resources and the financial situation across the local government sector.

- Mitigate council reputational risk

Residents and local organisations have been waiting a long time for the area to be improved. The council has promised to regenerate - there is a reputational risk to the council if it fails to do so now.

2.6 Potential business scope and key service requirements

The scope of the proposal is to redevelop the Central Winchester site in line with the strategic objectives outlined in the Council Plan and SPD. A “Do Nothing” option is presented as a baseline with three different options considered under the redevelopment proposals. The options considered are as follows:

List of potential project scope options

Do nothing	Do minimum	Do more than minimum	Do maximum
Continue managing and operating the area in the current way	Demolish Friarsgate Medical Centre and develop into interim public space	Demolish Friarsgate Medical Centre and develop into interim public space and refurbish Kings Walk to provide a creative quarter	Redevelop the defined site into a mixed-use node

WCC and JLL

2.7 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to the city needs.

- Improve employment opportunities
- Create flexible workspaces to help grow start-up and small businesses
- Enhance the local economy / assist in recovery from COVID19 impact
- Reduce issues with antisocial behaviour
- Provide housing for all
- Improve the night-time offering
- Encourage sustainable movement
- Minimise energy use
- Resilience to impacts of climate change such as flooding

Satisfying the potential scope for this investment will deliver the above high-level strategic and operational benefits.

These benefits will help to address the gaps identified in the Competitive Positioning analysis whilst fulfilling the aspirations of the SPD.

2.8 Main risks

The main risks to the project are:

Main risks and mitigating actions

Risk	Mitigating action
Lack of timely decision on the preferred option for delivery to realise benefits	Ensure sufficient stakeholder engagement prior to presentation of the SOC to council for decision in July 21
The development does not deliver on the SPD and Investment Objectives	WCC to ensure that a delivery model is selected that ensures alignment to the SPD
Pushback from the neighbouring landlords and residents excluded from the current proposal, could delay or impede the project	Stakeholder engagement with the neighbouring landlords and residents
General economic risk of there being lower than expected take-up of the developed facilities	Detailed market research and advanced marketing to secure the right mix of tenants
Political risk of failing to deliver the project	Deliver meanwhile uses to show short-term progress and activation of the site

WCC and JLL

2.9 Constraints

The project is subject to the following constraints:

- Affordability

It is important to consider the affordability in the context of the council's overall financial position and one of the key principles of the CWR project is that overall it is cost neutral to the council.

- Viability

It is important to consider the viability of the site. The mix of uses which meet the investment objectives for the project will likely not return the highest land value to WCC.

- COVID-19

The current pandemic may have an impact on how quickly we can move forward with the development. In the short term this may involve issues related to funding and resource. The impacts of the pandemic longer term are currently unknown but this is likely to involve further decline in the already struggling retail market as well as presenting challenges for housing and changes to working patterns / operations. The development proposals have been created to enable flexibility across the different mix of uses and the phasing.

- Funding

The council will be looking to apply for relevant funding grants at appropriate points as the development moves forward. The funding available and the success of any applications submitted will have an impact on how quickly we can move forward with certain elements of the scheme.

2.10 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

- Winchester Movement Strategy

The development proposals for the site include a solution for bus traffic which will work within the existing road network and current one – way system in the city. This solution is proposed for the short to medium term. As the outputs from the Movement Strategy come forward and the development progresses there is an opportunity to revisit the solution for the bus operations and potentially re-route the buses away from the centre of the site. The council continues to work closely with Hampshire County Council to ensure proposals for CWR and the outputs of the Movement Strategy are aligned.

- Landownership and tenancies

Within WCC's ownership, some parts of the site will be available for redevelopment sooner than others, and further careful thought will need to be given to how the development might come forward in a series of phases which takes this into consideration, for example the provision of an alternative solution for buses to gain vacant possession of the existing bus station. The council will work closely where relevant with the tenants and other landowners as the proposals are progressed.

- Climate change

The council's Carbon Neutrality Action Plan commits the council to review its own activities to reach carbon neutrality by 2024 and sets the same ambitious goal for the wider district by 2030. Consideration of the carbon emission impact of development, transport implications and the sustainability of the scheme is therefore critical to the development process.

3 The Economic Case

3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the SOC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

3.2 Critical success factors (CSF)

The key CSFs for the project were developed iteratively over time through a mix of key stakeholder engagement and public participation. The final set of CSFs were presented to WCC Cabinet on 15 June 2021 and were endorsed by them at this meeting.

These CSFs have been used alongside the investment objectives for the project to evaluate the long list of possible options.

Critical Success Factors

CSF	Descriptor
1	<p>Alignment to City Needs</p> <p>How well the option satisfies the existing and future needs of the city as identified in the Competitive Positioning Study as well as the council's 5 key outcomes as outlined in the Council Plan 2020-25, namely:</p> <ul style="list-style-type: none"> • Tackling the climate emergency and creating a greener district • Homes for all • Vibrant local economy • Living well • Your services. Your voice.
2	<p>Alignment to the SPD</p> <p>How well the option aligns to the 9 key objectives in the CPD, namely:</p> <ul style="list-style-type: none"> • Vibrant Mixed-Use Quarter • "Winchesterness" • Exceptional Public Realm • City Experience • Sustainable Transport • Incremental Delivery • Housing for All • Community • Climate Change and Sustainability
3	<p>Alignment to the Investment Objectives</p> <p>How well the option is aligned to the 6 Investment Objectives, namely:</p> <ul style="list-style-type: none"> • Work • Live • Play • Student and young person experience • Overnight tourism • Sustainable development
4	<p>Achieving the benefits optimisation</p> <p>How well the option assists in improving the local economy in areas such as:</p> <ul style="list-style-type: none"> • Job creation and employment opportunities • Increase in rates and taxes • Tourism economy benefits • Delivery of affordable housing

CSF	Descriptor
5	Affordability Assessment on the council's ability to fund the required level of expenditure – namely, the capital and revenue consequences associated with the proposed investment.
6	Obtaining planning permission Ability of the proposed solution to meet planning requirements and obtaining the necessary planning permission promptly
7	Mitigating Political Risk Political risk of not delivering on public declarations in a timely manner

WCC and JLL

3.3 The long-listed options

The long list of options was generated from a number of key stakeholder workshops and events including with WCC cabinet members and a public participation forum.

The evaluation was undertaken in accordance with how well each option met the investment objectives (as listed in the Strategic Case) and the CSFs.

The long list of options for this development was generated using the Green Book options framework. This generated options within the following four key categories of choice, which have been assessed in a linear process:

1. Solution options – choices in terms of specifications and coverage of the development (the “what”)
2. Implementation options – choices in terms of the delivery timescale (the “when”)
3. Solution delivery options – choices in terms of method of delivery (the “how”)
4. Funding options – choices in terms of financing and funding (the “who”)

3.4 Assessment 1: Solution options

3.4.1 Introduction

In accordance with the HM Treasury Green Book and Capital Investment Manual, the “do nothing” option has been considered as a benchmark for potential value for money (“VFM”).

An infinite number of options and permutations are possible; however, within the broad scope outlined in the strategic case, the following main options have been considered:

- Option 1.1 – Do nothing: Continue operating the area in the same way
- Option 1.2 – Do minimum: Demolish Friarsgate Medical Centre and prepare temporary public realm
- Option 1.3 – Do more than minimum: Per option 1.2 plus redevelop Kings Walk into a “Cultural Quarter”
- Option 1.4 – Do maximum: Redevelop the defined site in line with the WCC SPD

3.4.2 Option 1.1 - Do nothing

The option of 'do nothing' would be to continue managing and operating the defined site in the current way.

Advantages

The main advantages are:

- Investment from the council is minimised (although this includes continuing to incur costs associated with anti-social behaviour and unused buildings – see below)
- Continue to benefit from existing income streams
- There will be less disruption than for any of the other options as there will be no demolition or development work

Disadvantages

The main disadvantages are that:

- Does not achieve any of the Investment Objectives, City Needs objectives or Critical Success Factors
- There is a reputational risk to the council if a decision is made to do nothing, the city has been waiting for the area to be regenerated for many years and the council has made a commitment to seeing it through
- The area will continue to decline, and buildings will continue to deteriorate / fall into disrepair
- The council will continue to incur costs associated with the maintenance of dated buildings which are no longer fit for purpose and / or in use
- The council will continue to incur costs for business rates associated with buildings which are not in use
- Issues and associated costs to the council related to antisocial behaviour will continue and, in all likelihood, become worse
- The imbalance identified in Winchester's age demographic will continue if no action is taken to encourage younger generations to stay
- Little to attract people to the area will not help Winchester recover from the COVID-19 pandemic

3.4.3 Option 1.2 – Do minimum

Demolish Friarsgate Medical Centre and convert it into a temporary public realm.

Advantages

The main advantages are:

- WCC will be seen to be doing something to change/develop the area

- Reduction in the ongoing maintenance costs for the Friarsgate Medical Centre (approximately £65k per annum)

Disadvantages

The main disadvantages are:

- Does not achieve or meaningfully contribute towards the achievement of the SPD or investment objectives
- Demolishing a single building is unlikely to redress the general decay in the area
- Improving the public realm is unlikely to be sufficient to attract people back into the city centre
- This option does not contribute to providing housing or enabling a vibrant mixed-use quarter
- WCC could face reputational damage for doing too little and under-delivering on their stated strategic objectives

3.4.4 Option 1.3 – Do more than minimum

Demolish Friarsgate Medical Centre and convert it into a temporary public realm. Refurbish Kings Walk into a “Creative Quarter”.

The Kings Walk refurbishment will create a range of artistic/ makerspace, studios and workspaces aimed at the creative industries and provide areas that support SMEs. This is an internal refurbishment to bring it in line with current occupational needs and demands, as opposed to a comprehensive redevelopment.

Advantages

The main advantages are:

- Reduction in the ongoing maintenance costs for the Friarsgate Medical Centre (approximately £65k per annum)
- WCC will be seen as positively contributing to creating enabling work opportunities
- The mix of artistic/ makerspace, office and studio space will assist with developing the vibrant mixed-use site envisioned in the SPD
- The type of space being developed is likely to create employment opportunities and a work environment for the younger demographic
- Refurbishing Kings Walk is likely to increase footfall in the area possibly resulting in a decrease in anti-social behaviour and squatters

Disadvantages

The main advantages are:

- A large portion of the CWR area will remain undeveloped, so will not meet the SPD requirements

- Whilst developing Kings Walk contributes towards creating a mixed-use precinct through providing office and creative/maker space, it does not address the housing or cultural requirements
- Creating workspace targeted at the younger demographic without creating appropriate housing and cultural elements is likely to result in the desired outcomes not being achieved

3.4.5 Option 1.4 – Maximum option

Develop the defined site in line with SPD. This will include a range of workspaces, retail, housing, entertainment, cultural and public realm spaces.

WCC has undertaken work to arrive at a development proposal for the site. The development proposals have aligned to the Competitive Position work undertaken by JLL and have been produced in line with the guidance of the SPD. The development proposals were subject to public consultation in December 2020- January 2021 and received a significant level of support from the public.

The development proposals present a vibrant mixed-use destination as demonstrated by the illustration below:



This is also shown in greater detail in Appendix A and B.

Advantages

The main advantages are:

- Implementing this option at the defined site will meet the strategic objectives of the SPD
- This development will result in a vibrant mixed-use destination

- The provision of a range of housing options and co-working spaces will encourage the younger demographic to remain in Winchester
- The inclusion of a hotel and entertainment facilities is likely to result in increased overnight tourism for Winchester
- Development of the defined site will result in increased employment opportunities, a reduction in vacancy rates and antisocial behaviour and squatting which will all positively impact the WCC finances
- Delivery of a high-quality public realm
- Pedestrianisation of the area will also provide sustainability and reduced carbon footprint advantages

Disadvantages

The main advantages are:

- A redevelopment of this scale may result in some disruption
- A larger upfront capital investment is required

3.4.6 Overall conclusion: Solution options

The table below summarises the assessment of each option against the investment objectives and CSFs.

Summary assessment of Solution options

Criteria	Option 1.1 Do nothing	Option 1.2 Do minimum	Option 1.3 Do more than minimum	Option 1.4 Do maximum
CSF1: Alignment to city needs				
Tackling the climate emergency and creating a greener district	0	1	1	3
Homes for all	0	0	0	3
Vibrant local economy	0	1	1	4
Living well	0	1	2	4
Your services. Your voice	0	1	2	3
CSF2: Alignment to SPD				
Vibrant Mixed-Use Quarter	0	1	2	4
Winchesterness	0	1	1	3
Exceptional Public Realm	0	1	1	3
City Experience	0	1	2	4
Sustainable Transport	0	0	0	3
Incremental Delivery	0	1	2	4

Criteria	Option 1.1 Do nothing	Option 1.2 Do minimum	Option 1.3 Do more than minimum	Option 1.4 Do maximum
Housing for All	0	0	0	3
Community	0	1	2	4
Climate Change and Sustainability	0	1	1	3
CSF3: Alignment to investment objectives				
Work	0	0	2	3
Live	0	1	1	3
Play	0	1	1	3
Student experience	0	1	1	3
Overnight tourism	0	0	1	3
CSF4: Achieving the benefits optimisation				
Employment	0	0	3	4
Rates and taxes	0	0	1	4
Tourism economy	0	0	1	4
CSF5: Affordability				
>= breakeven	0	0	1	3
CSF6: Obtaining planning permission				
Appropriate planning permission for full site	0	1	2	3
CSF7: Mitigating Political risk				
Risk of not delivering a solution for Winchester	0	1	2	4
SUMMARY	0	1	2	3

JLL analysis

Key: 0 = No impact; 1 = Little impact; 2 = Some impact; 3 = High impact; 4 = Maximum impact

Of the four options considered, only the “do maximum” option meaningfully contributes to achieving the strategic objectives of SPD and the CWR investment objectives.

The “do maximum” proposal includes a range of office/ commercial space, housing, retail, entertainment and cultural elements as set out in the Development Proposal. This proposal is the one that will be taken forward as the preferred option for future analysis in the Outline Business Case (OBC).

3.5 Assessment 2: Implementation options

3.5.1 Introduction

Following the selection of the preferred project scope, this range of options considers the choices for implementation timing. Two options were considered:

- Option 2.1 Single phase
- Option 2.2: Incremental

3.5.2 Option 2.1: Single phase

This option assumes assumed that the whole scheme is delivered as one single phase. All the required services could be delivered within the initial phase(s) of the project.

Advantages

The main advantages are that:

- Timing advantage as speed of delivery to end state will most likely be quickest under this option

Disadvantages

The main disadvantages are that:

- Potential lack of developer market demand due to obligation to deliver as a single phase
- The previous Silverhill scheme proposed a single developer approach which would have seen the redevelopment brought forward in one single phase, this was amongst a number of reasons this previous scheme was discounted
- The aspiration set out in the CWR SPD is to deliver the scheme incrementally – the council faces strong criticism if this approach is not pursued
- Some parts of the site won't be available for redevelopment at the same time as others

Conclusion

This option goes against the guidance set out in the CWR SPD to deliver in an incremental manner.

3.5.3 Option 2.2: Incremental

This option assumes that the implementation of the required services would be phased on an incremental basis. This means that land parcels would be developed on a phased basis.

Advantages

The main advantages are that:

- The SPD indicates a preference for the site to be brought forward in phases using multiple developers, architects etc. Using a single development partner for the defined site will achieve the same goal through:
 - Retaining the incremental approach of delivery in phases
 - Enabling better integration of multiple design inputs from multiple stakeholders and architects
 - Enabling better sharing of infrastructure and public realm related costs across land parcels

- Ensuring cross-subsidy across the site whereby higher value uses can enable the delivery of lower value uses
- Some parts of the area cannot be brought forward immediately due to existing tenancies, landownership and traffic and public transport arrangements – a phased approach will enable work to begin on the parts of the area that can be brought forward now, unlocking other parts of the area and enabling regeneration to come forward sooner
- A key element to this is the bus station, until buses are transferred to the proposed on-street solution much of the defined site cannot be developed

Disadvantages

The main disadvantages are that:

- There may be negative implications for existing tenants and businesses as surrounding parts of the area are brought forward for delivery – the council should ensure there is a strategy in place for these tenants and businesses to minimise disruption
- Some of the larger developers may be less interested if the site is carved up into smaller sections that will be brought forward in phases
- Some parts of the site may remain undeveloped for some time

Conclusion

This option, incremental development, is aligned to the CWR SPD and enables the development to progress in the parts of the area which can be brought forward sooner, unlocking other parts in the process.

3.5.4 Overall conclusion: implementation options

When deciding on the preferred implementation option, the overarching requirement was extracted from the SPD which required a phased approach to the regeneration of Central Winchester.

Option 2.1: Single phase

This option has been discounted because it goes against the guidance set out in the CWR SPD.

Option 2.2: Incremental

This option is preferred because it is aligned to the CWR SPD.

3.6 Assessment 3: Solution delivery options

This range of options considers the options for Solution Delivery in relation to the preferred scope and implementation timing.

A wide range of options were considered against the following key criteria:

Solution Delivery selection criteria

Criteria	Descriptor
Cost	What is the expected level of direct cost to WCC
Control	How much control does WCC have over the development

Criteria	Descriptor
Planning risk	How much of the planning risk lies with WCC
Development risk	How much of the development risk lies directly with WCC
Resourcing / expertise	Does WCC have the required internal resources/expertise
Speed	How well does the delivery option align to the required delivery timelines
Return (profit share)	What level of profit share return will WCC receive
Return (land receipt)	What level of land receipt returns will WCC receive
Market appetite	What is the likely market appetite for the Solution delivery option

JLL

It was recognised that six delivery options should be examined in further detail:

This range of options are included in the below table, using an illustrative continuum from lesser council control to greater council control:

Delivery options continuum

Lesser control Lesser risk					Greater control Greater risk
Option 3.1	Option 3.2	Option 3.3	Option 3.4	Option 3.5	Option 3.6
Disposal- Freehold or Long Leasehold	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels within the defined site disposed of on a Freehold basis and brought forward by multiple developers	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels within the defined site	WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Development agreement across the defined site with one development partner	WCC acting as master developer

JLL

JLL carried out an exercise to further investigate the positives and negatives of each of these options in relation to criteria listed above. Details of which are set out below.

All options assessed below refer to the defined site (within the blue line site boundary), as outlined in Section 2.1.1 and Appendix C. This is land within WCC ownership.

3.6.1 Option 3.1 – Disposal- Freehold or Long Leasehold

This delivery route involves WCC selling the site on the open market. A redline would be put around the boundary of the defined site. Then marketing particulars would be produced alongside a dataroom information pack which would be available for potential purchasers.

WCC would offer the site to the market on a freehold basis (this would be preferred by the market) or leasehold (with a recommended minimum of 250 years +). A lease term less than 250 year would potentially negatively impact on the level of market interest and the land receipt received by WCC.

Potential purchasers would be invited to bid for the land on an unconditional basis.

It should be noted that the market would deliver a mix of uses that optimise value and not necessarily deliver the Development Proposals.

Advantages

The main advantages are:

- WCC receive a land receipt upon sale of the land
- Opportunity to drive competitive tension in the market which may result in an enhanced land receipt
- The purchaser will be required to extinguish the existing overage agreements. NOTE. This would likely be reflected in the land value reported.
- An element of control is retained through the WCC planning department
- No delivery risk borne by WCC
- No cost associated with development borne by WCC
- Potential ability to benefit from overage arrangement if such agreement forms part of the sale

Disadvantages

The main disadvantages are:

- Loss of control over the chosen delivery scheme as the delivered development will be driven by highest market returns and not necessarily aligned to the wider benefits required by the WCC's investment objectives
- Lack of certainty over timing of delivery
- Reputational risk - lack of participation in the delivery means it would be difficult for WCC to be associated with any positive reputational benefits (i.e. successful delivery of the mixed-use scheme). However, this works both ways and may also be a positive depending upon the outcome of the scheme.

Conclusion

This delivery route does not provide certainty over timing of delivery or control over the type of scheme that is delivered. There is no certainty that this route would meet investment objectives or critical success factors.

3.6.2 Option 3.2 - WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution with remaining land parcels disposed of on a freehold basis and brought forward by multiple developers

Overview of delivery route

Planning: To deliver the on-street bus solution and public realm upgrade works surrounding Kings Walk WCC's Planning Department have advised that this would require WCC to submit a hybrid planning application for the defined site with detailed first phase(s).

Kings Walk Delivery by WCC:

WCC is responsible for delivering Kings Walk through upgrading the building to a leasable standard and securing a partner to operate the building on a 15-year lease. The operator partner would be responsible for delivering the creative quarter vision. As with all options explored, this is an internal refurbishment to bring it in line with current occupational needs and demands, as opposed to a comprehensive redevelopment.

Bus Solution delivery by WCC:

WCC to be responsible for delivering the on-street bus solution. This would involve re-formatting the curb lines, re-formatting roads and traffic flows and installing the on-street bus stops associated signage, amenity and public realm upgrades. WCC would also work with Hampshire County Council and the bus operators to ensure integration with the wider movement strategy.

Freehold disposal of two sites:

This involves WCC selling the left hand and right hand sites on the open market. A redline would be put around the boundary of each site for sale, marketing particulars would be produced alongside a dataroom information pack which would be available for potential purchasers.

WCC would offer the sites to the market on a freehold basis with planning permission secured. Potential purchasers would be invited to bid for the land on an unconditional basis. Potential purchasers could bid for one site or both sites.

Advantages

The main advantages for each element are as follows:

Kings Walk:

- Certainty of delivery
- Certainty of timescales
- Potential to secure grant funding to support delivery

Bus Solution:

- Certainty of delivery
- Certainty of timescales
- Potential to secure grant funding to support delivery

Freehold disposal of two sites:

- WCC receive a land receipt upon sale of the land parcels
- An element of control is retained through the WCC planning department
- No delivery risk borne by WCC
- No cost associated with development borne by WCC
- Potential ability to benefit from overage arrangement if such agreement forms part of the sale

Disadvantages

Planning: This is an overall disadvantage to this route. To deliver the on-street bus solution and public realm upgrade works surrounding Kings Walk, we understand that this would require WCC to submit a hybrid planning application for the defined site with detailed first phase(s). This would

require significant cost, resources and expertise. Upon the grant of planning consent WCC would be required to extinguish existing overage arrangements.

The main disadvantages for each element are as follows:

Kings Walk:

- WCC responsible for securing an operator partner to deliver the Creative Quarter vision
- WCC would be required to bring the building up to a lettable standard. This would involve capital expenditure by WCC
- This route still assumes an internal refurbishment to bring Kings Walk in line with current occupational needs and demands, and does not comprise a comprehensive redevelopment
- 'Gateway' to the site would be left un-developed for 15 years.
- Some parties view the Kings Walk building as unattractive
- No comprehensive redevelopment of the KW site as part of CWR

Bus Solution:

- WCC would be required to plan and deliver this solution. This will require significant capital expenditure and expertise.
- WCC required to negotiate with neighbouring freehold/long leaseholders to secure a successful on-street solution. This has both a cost and an expertise implication.
- By delivering the bus solution in isolation of the wider development, cohesion across the site is limited and also accessibility for development on the remaining plots is potentially impacted.

Freehold disposal of two sites:

- Lack of certainty over timing of delivery
- The land receipt received would be reduced, due to the compromised nature of the sites and restricted access caused by the WCC delivery of the bus solution.
- Reputational risk - lack of participation in the delivery means it would be difficult for WCC to be associated with any positive reputational benefits (i.e. successful delivery of the mixed-use scheme). However, this works inversely and may be a positive depending upon the outcome of the scheme.
- Market attractiveness - due to the reduced size of the plots, we perceive there would be a lack of national developer interest.
- Planning - due to WCC being required to secure a hybrid consent for the defined site in order to deliver Kings Walk and the bus solution, there is a risk that the developer market would not want to deliver the Council secured planning consent.
- Potential loss of control over the delivered scheme as a purchaser can ultimately submit a revised planning application
- Lack of cohesion across the public realm

Conclusion

This delivery route requires a high level of WCC capital expenditure, resource and expertise and does not provide certainty over timing of delivery or assurance of a comprehensive and cohesive development is delivered. There is no certainty that this route would meet investment objectives or critical success factors.

3.6.3 Option 3.3 - WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels within the defined site.

Overview of delivery route

Planning: To deliver the on-street bus solution and public realm upgrade works surrounding Kings Walk we understand that this would require WCC to submit a hybrid planning application for the defined site with detailed first phase(s).

Kings Walk Delivered by WCC:

WCC self- deliver Kings Walk through upgrading the building to a leasable standard and then securing a partner to operate the building on a 15-year lease. The operator partner would be responsible for delivering the creative quarter vision. This is an internal refurbishment to bring it in line with current occupational needs and demands, as opposed to a comprehensive redevelopment.

Bus Solution delivered by WCC:

WCC would be responsible for delivering the on-street bus solution. This would involve re-formatting the curb lines, re-formatting roads and traffic flows and installing the on-street bus stops associated signage, amenity and public realm upgrades. WCC would also work with HCC and the bus operators to ensure integration with the wider movement strategy.

Wider Site Delivery:

This route involves WCC procuring a developer partner through a competitive tendering process for the WCC ownership, excluding Kings Walk and the on-street bus solution (and associated public realm). This would involve a likely 9-12 month partner selection process to secure a development partner to bring forward the right and left hand side parcels of land by way of a contractual agreement with WCC.

The contract between WCC and the development partner would set out the role and responsibilities of both parties. All development agreements have slightly different approaches; however, in principle this involves the selected development partner 'drawing down' phases of land for development. Upon the drawdown of land WCC would receive a land receipt. This land receipt would benefit from the enhanced value created through the successful planning consent that WCC secured. The development partner would be responsible for providing/sourcing development funding and delivering each phase of the scheme. WCC maintains an element of control as outlined in the contract between the parties. Development costs and risks are transferred to the development partner.

Advantages

The main advantages for each element are as follows:

Kings Walk:

- Certainty of delivery
- Certainty of timescales
- Potential to secure grant funding to support delivery

Bus Solution:

- Certainty of delivery
- Certainty of timescales
- Potential to secure grant funding to support delivery

Wider Site Delivery:

- WCC may benefit from a high land receipt due to planning already having been secured; however, this assumes that WCC secure a planning consent that the developer market wants to deliver.
- WCC retain an element of control through the development agreement.
- WCC transfer development risk to the development partner.
- WCC transfer cost of development to the development partner.

Disadvantages

Planning: The following are the overall disadvantages of this route. To deliver the on-street bus solution and public realm upgrade works surrounding Kings Walk, we understand that this would require WCC to submit a hybrid planning application for the defined site with detailed first phase(s). This would require significant cost, resources and expertise. Upon the grant of planning consent, WCC would be required to extinguish existing overage arrangements.

The main disadvantages for each element are as follows:

Kings Walk:

- WCC responsible for securing an operator partner to deliver the Creative Quarter vision
- WCC would be required to bring the building up to a lettable standard. This would involve capital expenditure by WCC.
- This route still assumes an internal refurbishment to bring Kings Walk in line with current occupational needs and demands, and does not comprise a comprehensive redevelopment.
- 'Gateway' to the site would be left un-developed for 15 years.
- Some parties view the Kings Walk building as unattractive
- No comprehensive redevelopment of the Kings Walk site as part of CWR

Bus Solution:

- WCC would be required to plan and deliver this solution. This will require significant capital expenditure and expertise.
- WCC required to negotiate with neighbouring freehold/long leaseholders to secure a successful on-street solution, which requires both capital expenditure and resource/expertise.

- By delivering the bus solution in isolation of the wider development, cohesion across the site is limited and also accessibility for development on the remaining plots is potentially impacted.

Wider Site Delivery:

- Potential loss of market appetite due to reduced size of developable land (as it would be a challenge to deliver comprehensive development without control of the bus solution and Kings Walk site).
- Accessibility for the development of the remaining plots may be impacted.
- Risk that WCC do not secure a market facing planning consent that the private sector is motivated to deliver.
- A development partner would not have full control over the site which we anticipate would limit market appetite. This would likely be reflected negatively in land receipts received.
- There would be some loss of control; however, there is the ability to influence key aspects of the development through the contract.
- Lack of cohesion across the public realm.

Conclusion

This delivery route requires WCC to secure planning for the site and fund the delivery of the Kings Walk and the bus solution. It is likely that there will be a lack of developer market appetite to develop the remaining land parcels, due to the reduced size of the developable land, accessibility challenges and reduced ability to deliver comprehensive and cohesive development. There is also no certainty that this route would meet investment objectives or critical success factors.

3.6.4 Option 3.4 – WCC to bring forward Kings Walk Creative Quarter with a Development Agreement with one development partner for the remainder of the defined site

Overview of delivery route

Kings Walk Delivered by WCC:

WCC self- deliver Kings Walk through upgrading the building to a leasable standard and securing a partner to operate the building on a 15-year lease. The operator partner would be responsible for delivering the creative quarter vision. As with all options, this is an internal refurbishment to bring it in line with current occupational needs and demands, and does not comprise a comprehensive redevelopment of Kings Walk.

Wider Site Delivery:

This route involves WCC procuring a development partner through a competitive tendering process for the WCC ownership excluding Kings Walk. This would involve a likely 9-12 month partner selection process to secure a development partner to bring forward the site, excluding Kings Walk, but including the interim bus solution, by way of a contractual development agreement with WCC.

The development agreement between WCC and the development partner would set out the role and responsibilities of both parties. All development agreements have slightly different

approaches; however, in principle this involves the selected development partner securing a planning consent for the site and then 'drawing down' phases of land for development. Upon the draw-down of land, WCC would receive a land receipt. This land receipt would benefit from the enhanced value created through the successful planning consent. The development partner is responsible for providing/sourcing development funding and delivering each phase of the scheme. Therefore, development cost and risks are transferred to the development partner.

WCC maintains an element of control as outlined in the contract between the parties. Additional control can be secured for the Council as part of the development partner bidding process where WCC can set out the "redlines" and deal structure and ensure that alignment to the Council's objectives is central to the evaluation process. This will then form the basis of the development agreement and so expectations of both parties are clear from the outset.

Advantages

The main advantages for each element are as follows:

Kings Walk:

- Certainty of delivery
- Certainty of timescales
- Potential to secure grant funding to support delivery

Wider Site Delivery:

- WCC transfer development risk to the development partner
- WCC transfer cost of development to the development partner
- Planning and development risk transfer
- Lower WCC resourcing/expertise requirement
- Development partner 'draws down' land in phases and pays WCC land receipt at point of transfer
- Ability to benefit from development partner's market and delivery expertise when both parties collectively draw up the masterplan
- WCC benefit from potentially receiving a higher land receipt once planning consent is granted
- A well-recognised tool by the market for more complex sites
- Development partner is responsible for delivering interim bus solution
- Development partner has control over the whole defined site and is therefore able to balance viability across uses efficiently
- WCC retain an element of control through the development agreement
- WCC has control over the development partner selection process and can choose a partner that shares the same aspirations for the site

Disadvantages

The main disadvantages for each element are as follows:

Kings Walk:

- WCC responsible for securing an operator partner to deliver the Creative Quarter vision
- WCC would be required to bring the building up to a lettable standard. This would involve capital expenditure by WCC.
- This route still assumes an internal refurbishment to bring Kings Walk in line with current occupational needs and demands, and does not comprise a comprehensive redevelopment.
- ‘Gateway’ to the site would be left un-developed for 15 years.
- Some parties view the Kings Walk building as unattractive
- No comprehensive redevelopment of the Kings Walk site as part of CWR

Wider Site Delivery:

- There would be some loss of control; however, influence over key aspects would be retained.
- Relying on contract if performance falters/market conditions change
- Up-front and on-going governance requirement

Conclusion

This route provides WCC with an acceptable level of control over delivery and timings. This route is able to meet the investment objectives and the critical success factors.

3.6.5 Option 3.5 – Development agreement across the defined site with one development partner

This route involves WCC procuring a development partner through a competitive tendering process. This would involve a likely 9-12 month partner selection process to secure a development partner to bring forward the site by way of a contractual agreement with WCC.

The development agreement between WCC and the development partner would set out the role and responsibilities of both parties. All development agreements have slightly different approaches; however, in principle this involves the selected development partner securing a planning consent for the site (hybrid with detailed first phase) and then ‘drawing down’ phases of land for development. Upon the drawdown of land WCC would receive a land receipt. This land receipt would benefit from the enhanced value created through the successful planning consent. The development partner is responsible for providing/sourcing development funding and delivering each phase of the scheme. Therefore, development cost and risks are transferred to the development partner.

WCC maintains an element of control as outlined in the contract between the parties. Additional control can be secured for the Council as part of the development partner bidding process where WCC can set out the “redlines” and deal structure and ensure that alignment to the Council’s objectives is central to the evaluation process. This will then form the basis of the development agreement and so expectations of both parties are clear from the outset.

This route is different to the previous ‘Henderson’ scheme for a number of reasons:

The previous failure was due to three main issues:	What is different this time:
The developer was a majority landowner	WCC is now the majority landowner and, through a DA, can regulate required steps and responsibilities
WCC had no choice and there was no procurement process to choose a best in class	WCC can choose a preferred development partner to deliver against their criteria and work with them to optimise the current proposals
There was ambiguity over planning	WCC has adopted the SPD and has also developed the CWR Development Proposals recently consulted on

Advantages

The main advantages are that:

- WCC transfer development risk to the development partner
- WCC transfer cost of development to the development partner
- Planning and development risk transfer
- Lower WCC resourcing/expertise requirement
- Development partner ‘draws down’ land in phases and pays WCC land receipt at point of transfer
- Ability to benefit from development partner’s market and delivery expertise when both parties collectively draw up the masterplan
- WCC benefit from potentially receiving a higher land receipt once planning consent is granted
- A well-recognised tool by the market for more complex sites
- The development partner is responsible for delivering interim bus solution
- The partnership has control over the whole of the defined site and is therefore able to balance viability across uses efficiently
- WCC retain an element of control through the development agreement mechanisms
- WCC has control over the development partner selection process and can choose a partner that shares the same aspirations for the site

Disadvantages

The main disadvantages are that:

- There would be some loss of control; however, influence over key aspects would be retained.
- Relying on contract if performance falters/market conditions change
- Up-front and on-going governance requirement
- No comprehensive redevelopment of the Kings Walk site as part of CWR

Conclusion

This route provides WCC with an acceptable level of control over delivery and timings. This route is able to meet the investment objectives and the critical success factors. Whilst delivered via one development partner, this route still enables incremental and phased delivery with multiple stakeholders and design teams (as desired in the SPD). This route retains the opportunity/ability for WCC and the chosen development partner to appoint specialist entities to deliver phases and/or blocks, whilst retaining overarching control as outlined in the development agreement. This route also enables better sharing of infrastructure and public realm related costs across land parcels and allows for cross-subsidy across the site enabling higher value uses to support the delivery of lower value uses (such as affordable housing and community spaces).

3.6.6 Option 3.6 - WCC acting as master developer

Overview of delivery route

This route involves WCC bringing forward the development by acting as master developer across the site. This route assumes that WCC is responsible for masterplanning the site prior to securing a hybrid planning consent with detailed first phase(s). WCC fund and deliver enabling infrastructure, including the on-street bus solution, prior to procuring multiple development partners to deliver single plots by way of development agreements.

This route requires WCC to fund the upfront and site-wide costs (i.e. planning, on-street bus solution, public realm and infrastructure to provide serviced plots). The individual serviced plots that would be taken to the market would be small in scale and, therefore, we perceive there to be very limited national developer interest and the nature of developer procurement processes may also serve to act as a deterrent to regional and local interest.

Advantages

The main advantages are:

- WCC retain control of the timing of Kings Walk delivery as the potential first phase.
- Level of control over site (noting master developer is not the same as direct delivery).
- WCC receive land receipts when phases of land are drawn down.
- WCC transfer development risk to the development partner(s).
- WCC transfer cost of development to the development partner(s).
- WCC retain an element of control through the development agreements.

Disadvantages

The main disadvantages are that:

- WCC responsible for all up-front costs
- No comprehensive regeneration of the Kings Walk site
- WCC hold planning risk
- Very significant WCC resource/expertise requirement
- High degree of complexity given multiple parties/phases

- Reduced national developer appetite given reduced scale of individual opportunities
- Potential loss of regional and local market appetite due to onerous procurement process and small plot sizes
- Intensive/ continuous governance requirement
- Relying on contract if performance falters/market conditions change
- Do not benefit from development partner's expertise when drawing up the masterplan and securing planning.

Conclusion

This route is highly complex and carries significant upfront costs and risk, as well as a requirement for a high level of resource and expertise. This route does provide WCC with an acceptable level of control over delivery and timings and has the potential to meet the investment objectives and the critical success factors. This route would likely not attract strong interest from the developer market.

3.6.7 Overall conclusion: Solution delivery options

Summary of Solution delivery options

	Option 3.1	Option 3.2	Option 3.3	Option 3.4	Option 3.5	Option 3.6
Descriptor	Disposal- Freehold or Long Leasehold	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels disposed of on a Freehold basis and brought forward by multiple developers	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels in the defined site	WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Development agreement across the defined site with one development partner	WCC acting as master developer
Cost	4	1	1	3	4	0
Control	0	2	3	3	3	4
Planning risk	4	0	0	3	3	0
Development risk	4	2	2	4	4	2
Resourcing / expertise	4	1	1	3	4	0
Speed	1	1	1	2	3	2
Return (profit share)	0	1	1	1	0	0
Return (land receipt)	3	2	2	2	2	2
Market appetite	4	2	1	3	4	0
Total Score (out of 40)	24	12	12	24	27	10

JLL

Key: 0 = Least favourable/negative impact; 1 = Some impact; 2 = Positive impact; 3 = High positive impact; 4 = Maximum favourable impact

- Option 3.1 – Disposal- Freehold or Long Leasehold

This option has been **excluded** as WCC will have little control over what a developer(s) will deliver, other than through WCC Planning Department, and it is likely that the final product will not align with the Investment Objectives. This route will likely achieve a higher land receipt as we expect there to be strong market appetite and developers will bid for the site based on a mix of higher value generating uses than the mix set out in the development proposal. This route would not require WCC to take any planning or development risk and does not require a high level of resource or expenditure by WCC. Because this route is unable to provide certainty of delivery of the investment objectives and critical success factors it has been discounted, despite scoring highly on the above assessment.

- Option 3.2 - WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels disposed of on a Freehold basis and brought forward by multiple developers

This option has been **excluded** as WCC would have little control over what the developer(s) will deliver on the sold land parcels, other than through WCC Planning Department, and it is likely that the final product will not align with the Investment Objectives. This route would require WCC to secure a hybrid planning consent for the whole defined site and invest capital and take delivery risk in relation to Kings Walk and the on-street bus solution. There is likely to be a reduced level of market appetite for the smaller plots and when developed there is a risk of a lack of cohesion across the site as a whole.

- Option 3.3 - WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels in the defined site.

This option has been **excluded** as WCC would retain some control over the development; however, there may be some complexity in WCC delivering portions of the development themselves and a lack of market appetite for remaining land. This route would require WCC to secure a hybrid planning consent for the whole defined site, invest capital, and take delivery risk in relation to Kings Walk and the on-street bus solution. The perceived lack of market appetite for the site, for a development agreement delivery route, is a significant limitation and is due to the reduced scale of developable land (as WCC would be delivering both Kings Walk and the bus solution land).

- Option 3.4 – WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site

This option has been **shortlisted** as WCC would retain some control over the development via the development partner procurement process and the deal structure outlined in the development agreement. However there is complexity and significant cost associated with WCC delivering the Kings Walk element of the development themselves. WCC transfer the planning and delivery risk to the development partner for the wider site. There may be a reduction in market appetite due to WCC delivering Kings Walk themselves.

- Option 3.5 – Development agreement across the defined site with one development partner

This option has been **shortlisted as the preferred option** as it enables development to be brought forward in a comprehensive manner by one party, whilst also allowing WCC to retain some control over the development through the development agreement. In addition, WCC has control over the development partner selection process and can therefore choose a partner that shares the same aspirations for the site. This route still enables the opportunity for phased delivery and bringing forward projects on individual sites by multiple design and contractual teams, as envisaged in the SPD. This route would ensure the optimal outcome for the site as it would ensure the cross-subsidy of high value uses to support the delivery of lower value uses and the comprehensive delivery of the associated public realm. We envisage this route to be acceptable to the market and capable of ensuring competitive tension through the procurement process.

- Option 3.6 - WCC acting as master developer

This option has been **excluded** because the full cost and planning risk will remain with WCC and this route would require a high degree of expertise. This route may deliver a comprehensive scheme, but the risks are significant and we envisage the smaller, consented, land parcels would not be desirable by the market on a development agreement delivery route due to lack of scale. This route performs poorly against the delivery route assessment criteria at 3.5.7.

3.7 Assessment 4: Funding options

The final options assessment is to determine the sources of funding for the development.

3.7.1 Introduction

This range of options considers the choices for funding and financing in relation to the preferred scope, solution, method of solution delivery and implementation.

The SPD outlines the vision and objectives for the site and gives guidance on quantum of uses, heights, massing and quality of design and public realm (section 3- Planning & Urban Design Framework). The preferred development proposal outlined under “options assessment 1: Scope” closely aligns with this requirement.

Finding investors both private and public that are aligned with this proposal will be a top priority. The aim would be to find funding providers that want to invest in Winchester for the long term and want to bring about the transformation not just for the CWR site but for the benefit of the wider local community and economy.

The options are as follows:

- Option 4.1: Private funding
- Option 4.2: Public funding

Note: where it is agreed that the scheme will be publicly funded as part of the capital expenditure programme, it will be unnecessary to consider the use of alternative methods of finance. However, where the funding mechanism has not been agreed this set of options may still have a use for appraisal purposes – for example, as in the case of central versus local funding. Furthermore, it should also be noted that the use of private finance does not simply consist of Public Private Partnerships (PPP) and the Private Finance Initiative (PFI). In this context, the use of financial leases and operating leases, and other forms of rental payment might also be considered, together with sponsorship arrangements.

This SOC provides an overview of the funding options available for consideration at a strategic level. The final funding option will largely be determined by the financial requirements and affordability as set out in the OBC.

3.7.2 Option 4.1: Private funding

Private sector funding would be secured through the selection of an appropriate development partner to enter into a development agreement. The assessment of the private sector partners ability to fund the development would form part of the selection process criteria.

3.7.3 Option 4.2: Public funding

In order to support delivery, the council will seek external funding where possible. Some funding considerations include:

- EM3 LEP

Liaising and preparing bids where appropriate to submit when funding streams/grants become available. This is mainly around commercial elements such as work/maker spaces and potentially transport infrastructure through Growth Funding. This may also include liaising and collaborating with colleagues at HCC with regard to access to funding streams around wider city regeneration projects and the WMS.

- Community Infrastructure Levy (CIL)

The council has funding available through the CIL funding mechanism and will therefore look at the general strategic approach to allocation of this fund across a range of projects. Elements of the CWR scheme that could benefit from CIL funding are:

- Long term public realm improvements across the whole area, including lower High Street and Broadway
- Funding of the on-street bus provision and associated public realm, including highway works and infrastructure provision
- Homes England; liaising and preparing bids where appropriate to submit when funding streams/grants become available around affordable housing in particular.

There may be other funding opportunities from other sources as the project moves forward and the council will continue work to identify these and utilise where possible.

3.7.4 Overall conclusion: funding

At a strategic level, the WCC's preference is for a blend of both private and public finance. Drawing on both sources of funding will likely be required in order to make the scheme financially viable.

The exact form of the funding model to be followed will be assessed in greater detail during the OBC and FBC process, but for the purpose of this SOC, a blended funding option is being put forward as the preferred option.

3.8 The long list: inclusions and exclusions

The long list has appraised a wide range of possible options (solution, implementation, solution delivery, and funding) detailed in the below table. The table below provides a summary of all inclusions and exclusions which have been outlined in detail in earlier chapters of this SOC.

Summary of inclusions and exclusions

Option	Descriptor	Finding
Assessment 1: Solution		
1.1	Do nothing	Excluded. Will result in the city centre continuing to degenerate
1.2	Do minimum	Excluded. Will not result in the required vibrant mixed-use quarter
1.3	Do more than minimum	Excluded. Will not result in the required vibrant mixed-use quarter
1.4	Do maximum	Included. Option most closely aligned with the investment objectives
Assessment 2: Implementation		
2.1	Single phase	Excluded. Not aligned to SPD phased development approach
2.2	Incremental	Included
Assessment 3: Solution delivery		
3.1	Disposal- Freehold or Long Leasehold	Excluded. Insufficient control of the development.
3.2	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels disposed of on a Freehold basis and brought forward by multiple developers	Excluded. Insufficient control over the development of the sold land parcels.
3.3	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a development agreement with one development partner to bring forward the remaining land parcels in the defined site	Excluded. High WCC expenditure and resource requirement. Lack of market appetite.
3.4	WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Included as shortlisted option
3.5	Development agreement across the defined site with one development partner	Included as preferred shortlisted option
3.6	WCC acting as master developer	Excluded. Requires significant capital expenditure, resources, and expertise.
Assessment 4: Funding		
4.1	Private funding	Included as a blend of both private and public funding is preferred
4.2	Public funding	Included as a blend of both private and public funding is preferred

JLL

3.9 Short-listed options

The below table provides a summary of the included elements to be considered for the short-list. An illustrative financial analysis of these options has been prepared and coupled with a final review against the project's critical success factors will determine the preferred shortlisted option to be taken forward to the OBC.

3.9.1 Shortlisted Options

As assessment categories 1 (scope), 2 (implementation) and 4 (funding) are identical across all included options, the assessment category 3 options have been used as the included options descriptors.

Included options for short-list consideration

Assessment category	Included options	
Solution	Option 1.4 Do maximum	
Implementation	Option 2.1 Incremental implementation	
Delivery	Option 3.4- shortlisted WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Option 3.5- preferred Development agreement (i.e. contractual Joint Venture) across the defined site with one development partner
Funding	Blend of private & public funding	

JLL

3.9.2 Financial analysis for included options – See exempt Appendix G of CAB3303

3.9.3 Assessing the included options against the critical success factors

Solution	Option 1.4 - Do maximum	
Implementation	Option 2.1 Incremental implementation	
Delivery	Option 3.4- shortlisted	Option 3.5- preferred
	WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Development agreement (i.e. contractual Joint Venture) across the defined site with one development partner
Funding	Blend of private & public	Blend of private & public
CSF1: Alignment to city needs	4	4
CSF2: Alignment to SPD	4	4
CSF3: Alignment to investment objectives	4	4
CSF4: Achieving the benefits optimisation	3	3
CSF5: Affordability	1	3
CSF6: Planning	2	3

Solution	Option 1.4 - Do maximum	
Implementation	Option 2.1 Incremental implementation	
Delivery	Option 3.4- shortlisted WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Option 3.5- preferred Development agreement (i.e. contractual Joint Venture) across the defined site with one development partner
Funding	Blend of private & public	Blend of private & public
permission		
CSF7: Political Risk	3	2
Total (out of 20)	21	23

Key: 0 = Least favourable/negative impact; 1 = Some impact; 2 = Positive impact; 3 = High positive impact; 4 = Maximum favourable impact

- Option 3.4

Included as a **shortlisted option**. This option delivers well against the CSF's however it does require significant capital expenditure by WCC to deliver Kings Walk and is therefore deemed as less affordable to the Council.

- Option 3.5

Included as the **preferred option** which will be assessed further at OBC stage. This option delivers very well against the CSF's.

3.10 Short-listed options

Option 3.5 has been identified at the preferred option and will be carried forward into OBC stage for further appraisal and evaluation. Shortlisted option 3.4 and excluded long listed options have now been discounted and excluded from further assessment.

4 The Commercial Case

4.1 Introduction

The Commercial Case section of the SOC outlines the proposed deal in relation to the delivery of the shortlisted options outlined in the Economic Case. The detailed consideration of the Commercial Case only takes place at OBC stage. However, this SOC contains an initial, less detailed overview of the proposed procurement route.

Subject to the approval of the preferred delivery route, WCC will require the procurement of the following **primary contract**:

- A development partner, for the defined site, on the basis of a development agreement

4.2 Required services

In addition to the primary contracts, WCC will also procure required support as follows:

- Internally (support required for the following WCC departments):
 - Legal
 - Estates
 - Finance
 - Procurement
- Externally, the following support is required:
 - Continued support from JLL/ Arup is required at a programme level
 - JLL specialist resource to prepare the Outline Business Case (“OBC”) and Full Business Case (“FBC”)
 - External legal advice
 - External financial advice
 - Communications support

More details of the requirements will be set out in the OBC.

4.3 Potential for risk transfer

We have addressed the potential risk transfer under the solution delivery assessment section of the Economic case. A more detailed analysis of risks takes place at OBC stage.

The general principle is to ensure that risks should be passed to ‘the party best able to manage them’, subject VFM.

4.4 Proposed contract lengths

The following contract lengths will be considered:

- Development partner - long term agreement.

4.5 Procurement strategy and implementation timescales

WCC adopts a fair and transparent approach in its procurement activities and will ensure all potential suppliers are treated equally when competing for business.

When procuring contracts WCC follows all current UK and European legislation and regulation relating to public procurement. The Council also has its own Contracts and Financial Procedure Rules. However, it must be noted that following the UK's exit from the EU and the end of the transition period on 31 December 2020, a Government review of legislation governing public procurement has begun and changes, which will come into effect during 2021 and beyond. The Council will adapt its processes accordingly.

WCC procurement follows four main principles:

- Value
- Compliance
- Fairness
- Social and Environmental

The aim is to seek a balance between obtaining best commercial value, operating within the law, acting transparently, reducing impacts on the environment and improving the community and services provided to our residents.

It is anticipated that the following primary contract may be procured:

- A development partner, for the defined site, on the basis of a development agreement

Any procurement exercise will follow the council's Contract Procedural Rules and PCR2015.

5 The Financial Case

5.1 Overview

The City Council controls significant assets within the Central Winchester Regeneration Area and in recent years has invested over £15m on site assembly, including:

Friarsgate Medical Centre	£5,267,675
Bus Station	£4,776,542
Kings Walk & Middle Brook St (JDS assets)	£5,000,000
	£15,044,217

These assets generate a net income of almost £550,000 annually. The financing costs of the above assets and the impact of losing the current income generated from the assets need to be taken into account when assessing the affordability of any development option.

To assess the financial impact of both shortlisted options, the affordability model set out in this section has been developed to illustrate both the overall capital cost of each option (showing the peak Council funding requirement) and the impact on the Council's annual revenue budget. The financial case takes account of:

- (i) Residual land values
- (ii) Income Stream Generation
- (iii) Existing WCC costs/income in relation to:
 - Car Parks:
 - a. Friarsgate Surface Car Park (Long Stay): Phase 2
 - Bus Station (includes Access / Offices / Café): Phase 2
- (iv) Other Non-Investment Property:
 - Middlebrook St Properties: Phase 2
 - Kings Walk and Antiques Market: Phase 1
 - Friarsgate Medical Centre: Phase 2
 - Coitbury House: Phase 3

5.2 Financing Assumptions/Key Inputs

- (i) PWLB Interest Rate: 2.1%
- (ii) MRP Period: 48 years
- (iii) MRP Rate: 2.1%
- (iv) MRP Profile: Annuity
- (v) Discount Rate: 6.09%
- (vi) Capitalised interest: Zero
- (vii) Income losses timeframe:
 - Car Park & Bus Station: For the life of the scheme
 - Kings Walk and Antiques Market: 10 years

- Middlebrook Street properties: 25 years

5.3 Impact of Kings Walk capital expenditure

Section 3.7.2 sets out the analysis of the residual land values of the shortlisted options as well as the financial structure of the operator agreement for Kings Walk under option 3.4. The table included in that section (see exempt appendix) highlights the impact of WCC capital expenditure requirement for the refurbishment of Kings Walk on the overall 'value' of the site to WCC. Given the significant costs borne by the Council in Option 3.4, it is evident that this route does not deliver the most financially advantageous option for WCC.

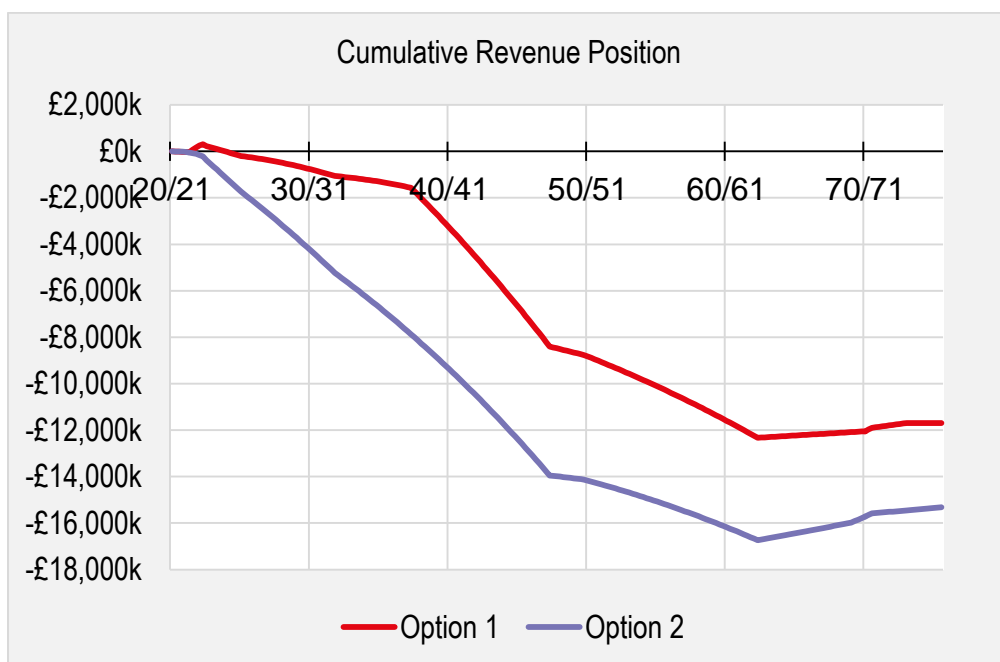
5.4 Assessment of Affordability

In summary, each option will require a Gap Funding position (assuming no borrowing). Option 3.4 would require a gap funding (external grant, developer contributions or additional council contribution) of £7.9m and option 3.5 £4.8m. Although these gap funding amounts would not require any Council borrowing, they would still generate a negative revenue position across the life of the scheme. Neither options can generate a positive revenue position (Discounted NPV) with any amount of gap-funding. The following dashboard highlights these findings.

Base case Dashboard included in Exempt Appendix G of CAB3303

It is possible to generate a moderately positive land value and capital receipt from both options, with option 3.5 achieving a far more positive value. However, the dashboard illustrates that both options, based on the retention of the Kings Walk building as a creative hub, have a significantly negative revenue impact and are not affordable. Whilst option 3.4 has a less negative impact, it should be noted that the market rents based on soft market testing are unproven for the Winchester market. There is a significant risk therefore that actual rents could be lower than projected.

The cumulative revenue position based on the projections set out in section 3 are illustrated below:



5.5 Sensitivity Analysis

Sensitivity analysis of both options has been undertaken by running a “Monte Carlo Simulation” which is used to estimate the possible outcomes given an uncertain event. The analysis demonstrates a risk adjusted position with 95% confidence based on the inputted parameters. This exercise outputs a ‘Downside’ position, which is effectively the 5th percentile result from the simulation analysis and is intended to reflect the outcome if market conditions considerably diverge from predicted base case assumptions.

Sensitivity (Monte Carlo Simulation) table included in exempt Appendix G of CAB3303

The results show that there is a 71% chance Option 3.4 produces a positive net capital position, 99% for Option 3.5. The percentage chance of achieving a net positive revenue position for both options is less than 1%.

5.6 Summary/Conclusion

The financial modelling of both options indicates that the proposal to refurbish the existing Kings Walk building in phase 1, which forms the basis of both option 3.4 and 3.5, is not affordable for the Council. With costs over £6m to refurbish the building to a suitable standard to operate as “creative space”, the proposals result in relatively low capital values and an insufficient income stream to achieve a positive “net present value” for the scheme.

6 The Management Case

6.1 Introduction

This section of the SOC addresses the 'achievability' of the scheme. Its purpose is to set out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

6.2 Project management arrangements

The project will be managed in accordance with the council's major projects and programme management requirements PRINCE 2 methodology.

6.2.1 Outline project reporting structure, project roles and responsibilities

The WCC internal project team will be as follows:

- Decision approval body

The WCC Cabinet will sign-off on all required project approvals

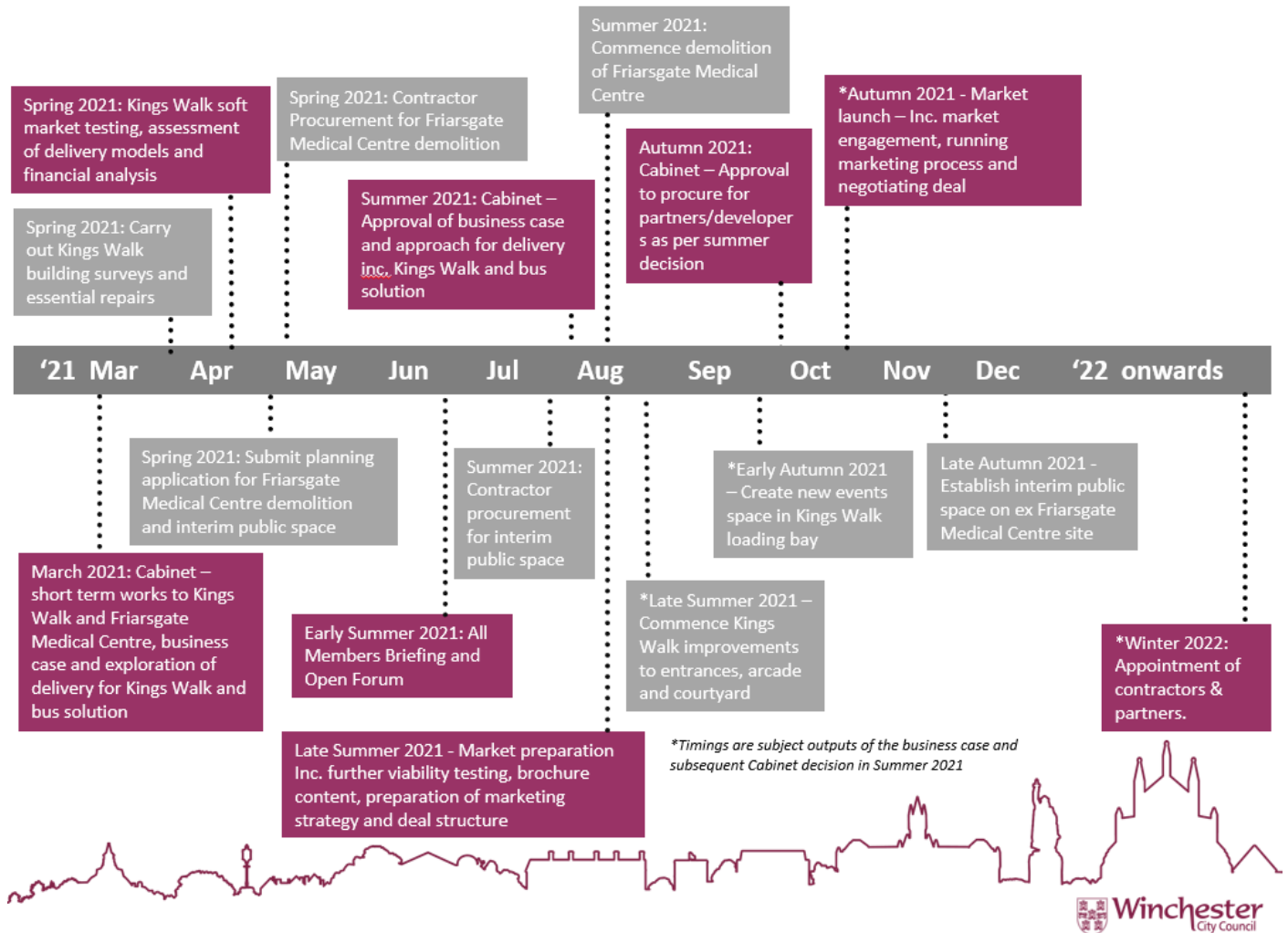
- Core team
 - Programme Sponsor: Cllr Kelsie Learney - Cabinet Member for Housing and Asset Management
 - Programme Director: John East – Interim Strategic Director – Place
 - Head of Programme: Veryan Lyons
 - Project Manager: Rachel Robinson
 - Project Manager: Dan Lowe
- Specialist service leads
 - Geoff Coe – Corporate Head of Asset Management
 - Richard Botham – s151 Officer
 - Liz Keys – Corporate Head of Finance
 - Catherine Knight – Service Lead-Legal

The final programme terms of reference, roles and responsibilities will be unpacked further as part of the OBC.

6.2.2 Outline project plan

The document below sets out the project stages and the tasks within each stage. An explanation as to what each task involves has been provided with estimated timescales:

Illustrative timeline for the project



Winchester public participation presentation

The timeline for the development deliverables will be confirmed at the Outline Business Case stage.

6.3 Use of special advisers

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance: Use of Special Advisers. Details are set out in the table below:

Specialist advisers

Specialist area	Adviser
Financial	JLL / 31Ten
Technical	JLL / Arup
Procurement and Legal	Browne Jacobson LLP

Business assurance	JLL / Arup
Business case	JLL
Communications	TBC

WCC

6.4 Gateway review arrangements

The WCC cabinet will sign-off all Gateway reviews. Cabinet have confirmed that the CWR project team can request cabinet meetings to undertake these reviews on an ad hoc basis and that they do not need to align with the current scheduled cabinet meetings. The key gateway review points are as follows:

Gateway Reviews

Gateway	Descriptor	Review report	Expected review date
Gateway 0	'Strategic Assessments' on an ongoing assurance of programmes at the start, delivery and closing stages	Included in Strategic Outline Case	21 July 2021
Gateway 1	'Business Justification' prior the detailed planning phase.	Strategic Outline Case	21 July 2021
Gateway 2	'Delivery Strategy and Business Justification' prior to the procurement phase.	Outline Business Case	Autumn 2021
Gateway 3	'Investment Decision' prior to contract signature.	Full Business Case	Spring/Summer 2022
Gateway 4	'Readiness for Service' prior to 'going live' and implementation of the scheme.		
Gateway 5	'Operational Review and Benefits Realisation' following delivery of the project, establishment and/or decommissioning of the service		

Guide to developing the project business case

Signed:

Date:

Senior Responsible Owner

Project Team

7 Sources

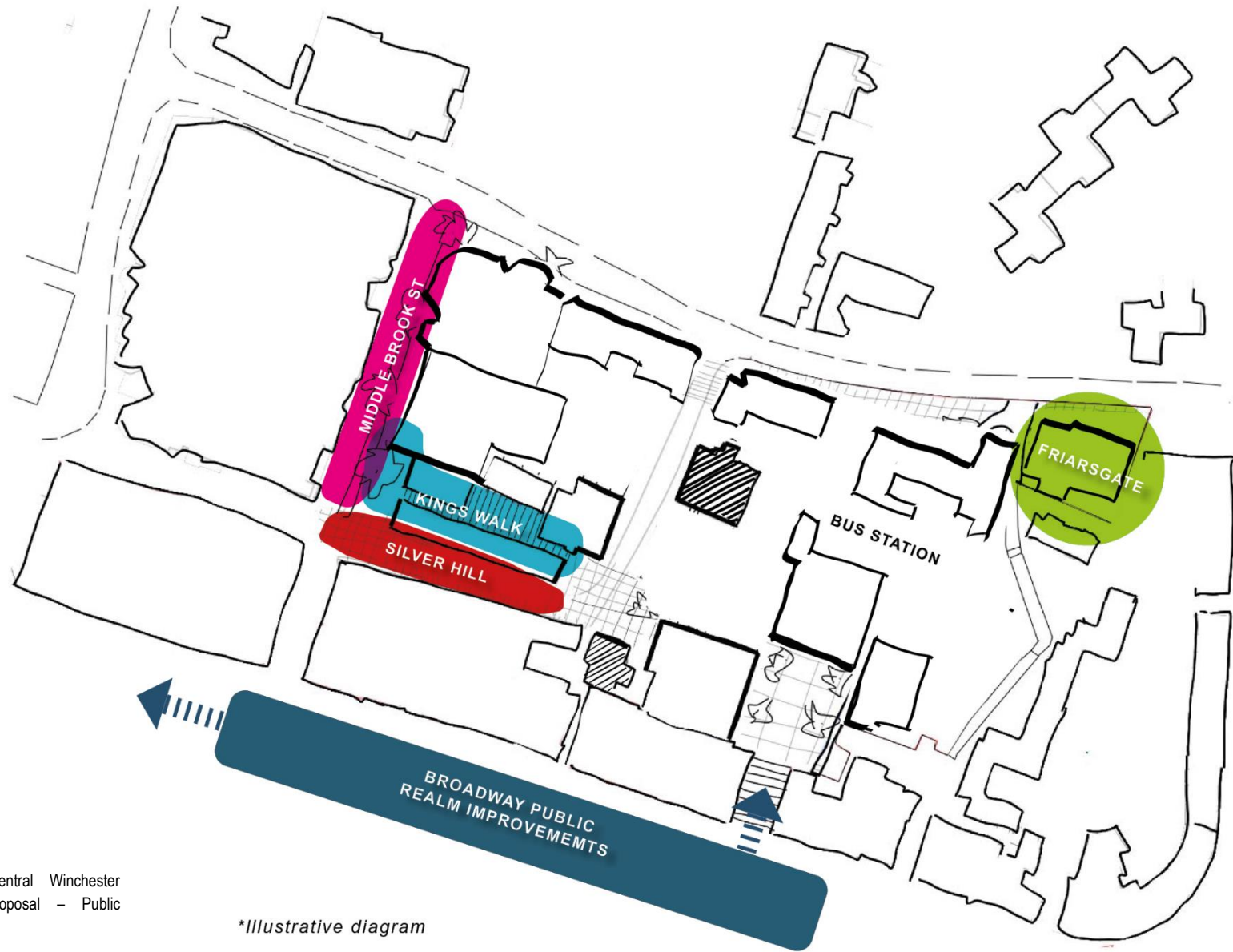
The following sources have been referenced in the development of this SOC:

- Winchester Strategic Planning Document
- Central Winchester Regeneration Supplementary Planning Document, Adopted June 2018
- Kings Walk Feasibility Study July 2020 – Turner.Works and Worthwhile Works
- Winchester Council Plan 2020 – 2025, 2021 Edition
- Central Winchester Regeneration Development Proposal – Public Participation presentation November 2020
- Winchester Procurement and Contract Management Strategy 2020 -2025, published April 2020
- Winchester Hotel Report – October 2020 – Melvin Gold Consulting
- WCC City Wide Competitive Position report Q4 2019- JLL

8 Appendices

8.1 Appendix A – Phasing Options

Phase 1



Source: JLL & Arup in Central Winchester Regeneration Development Proposal – Public Consultation, November 2020

**Illustrative diagram*

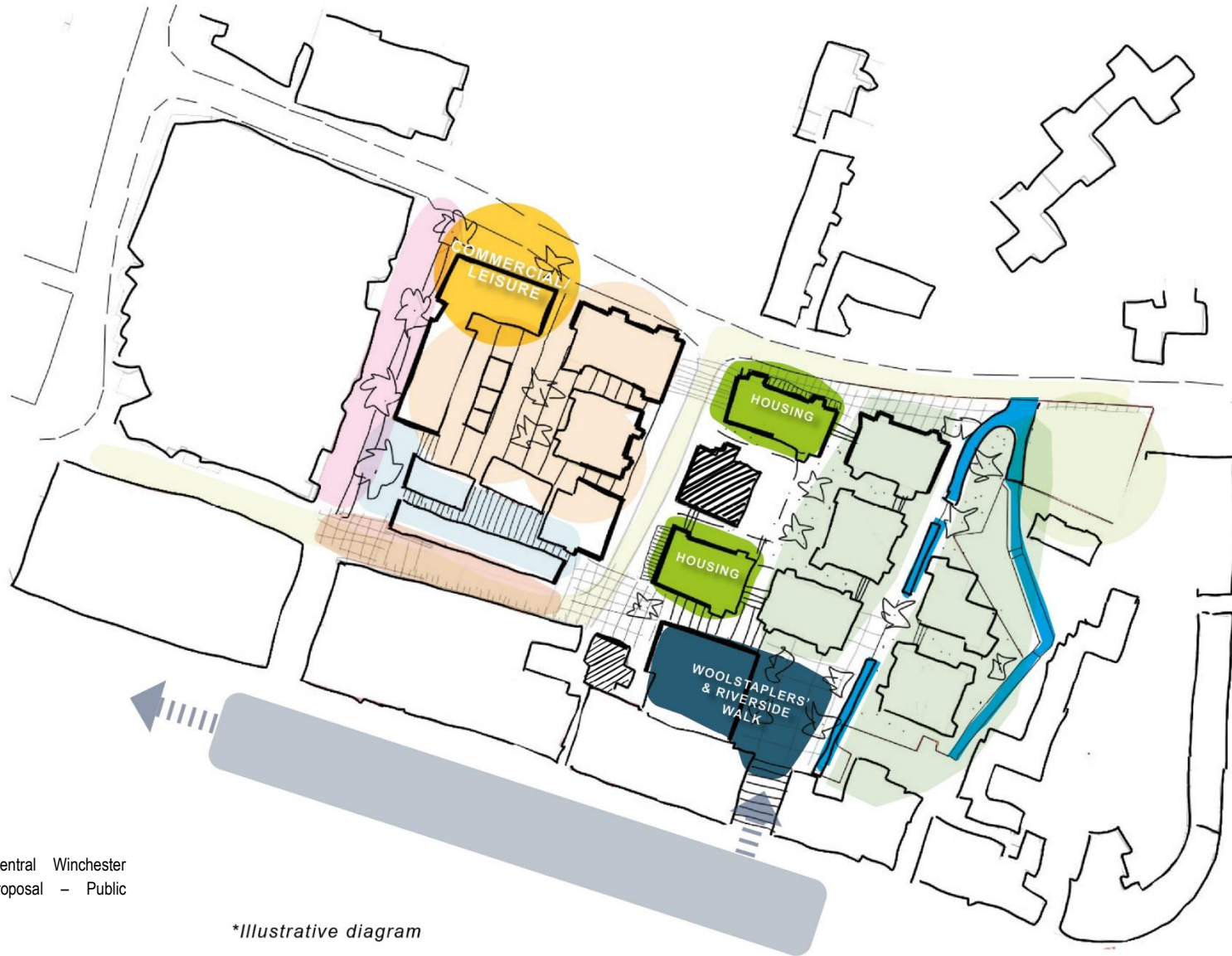
Phase 2



Source: JLL & Arup in Central Winchester
Regeneration Development Proposal - Public
Consultation, November 2020

**Illustrative diagram*

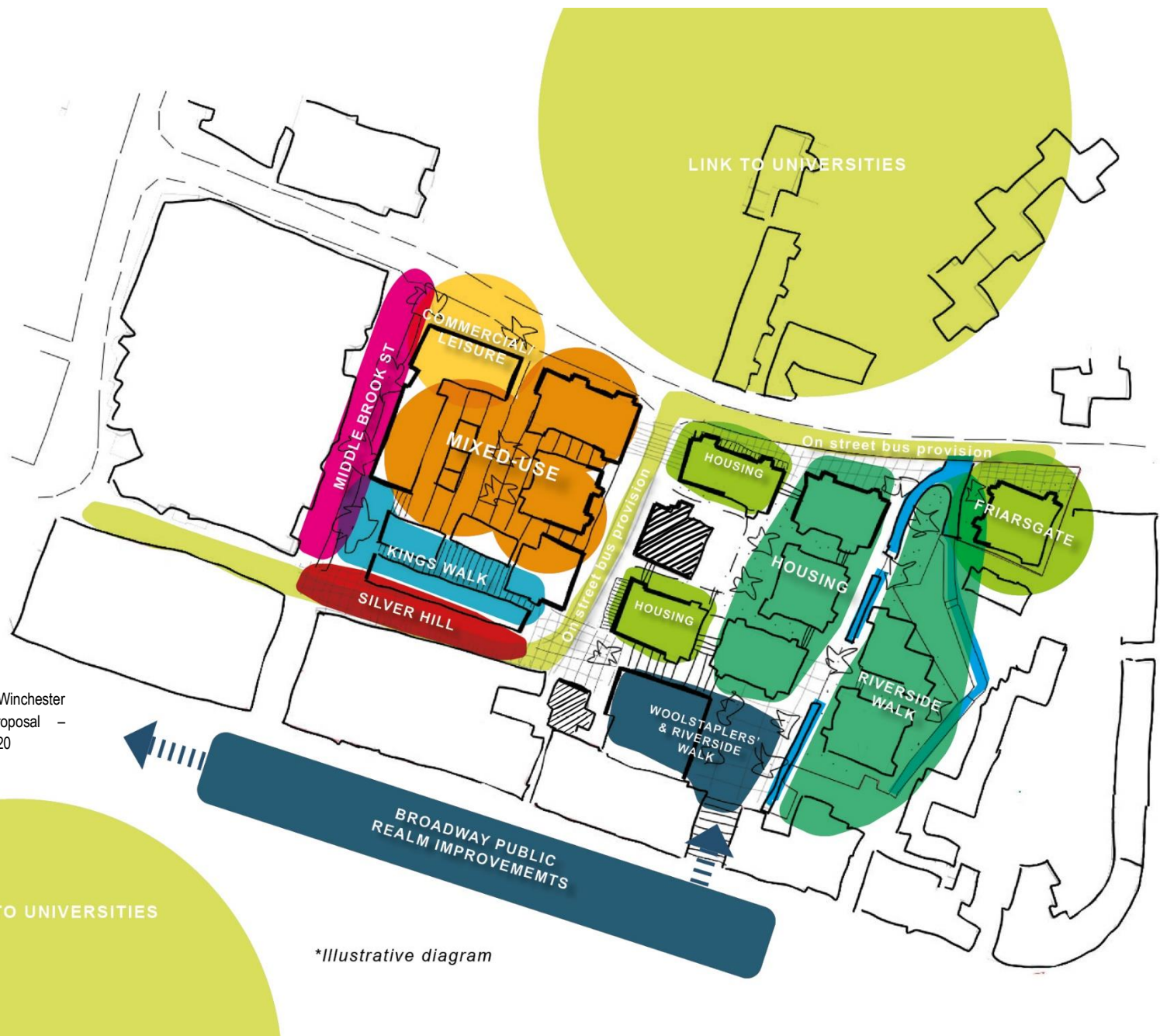
Phase 3



Source: JLL & Arup in Central Winchester
Regeneration Development Proposal - Public
Consultation, November 2020

**Illustrative diagram*

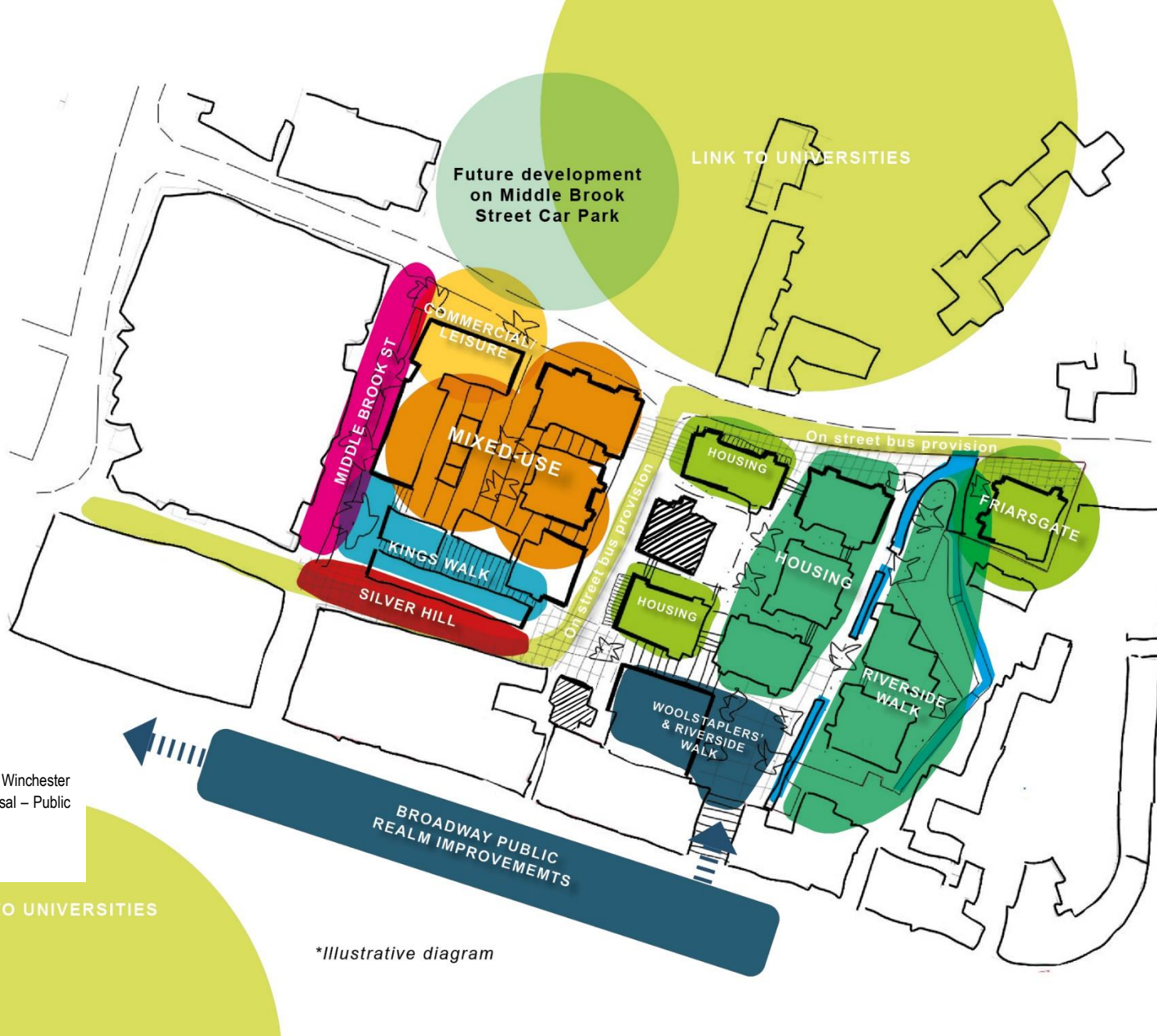
Phase 4



Source: JLL & Arup in Central Winchester Regeneration Development Proposal – Public Consultation, November 2020

*Illustrative diagram

Phase 5

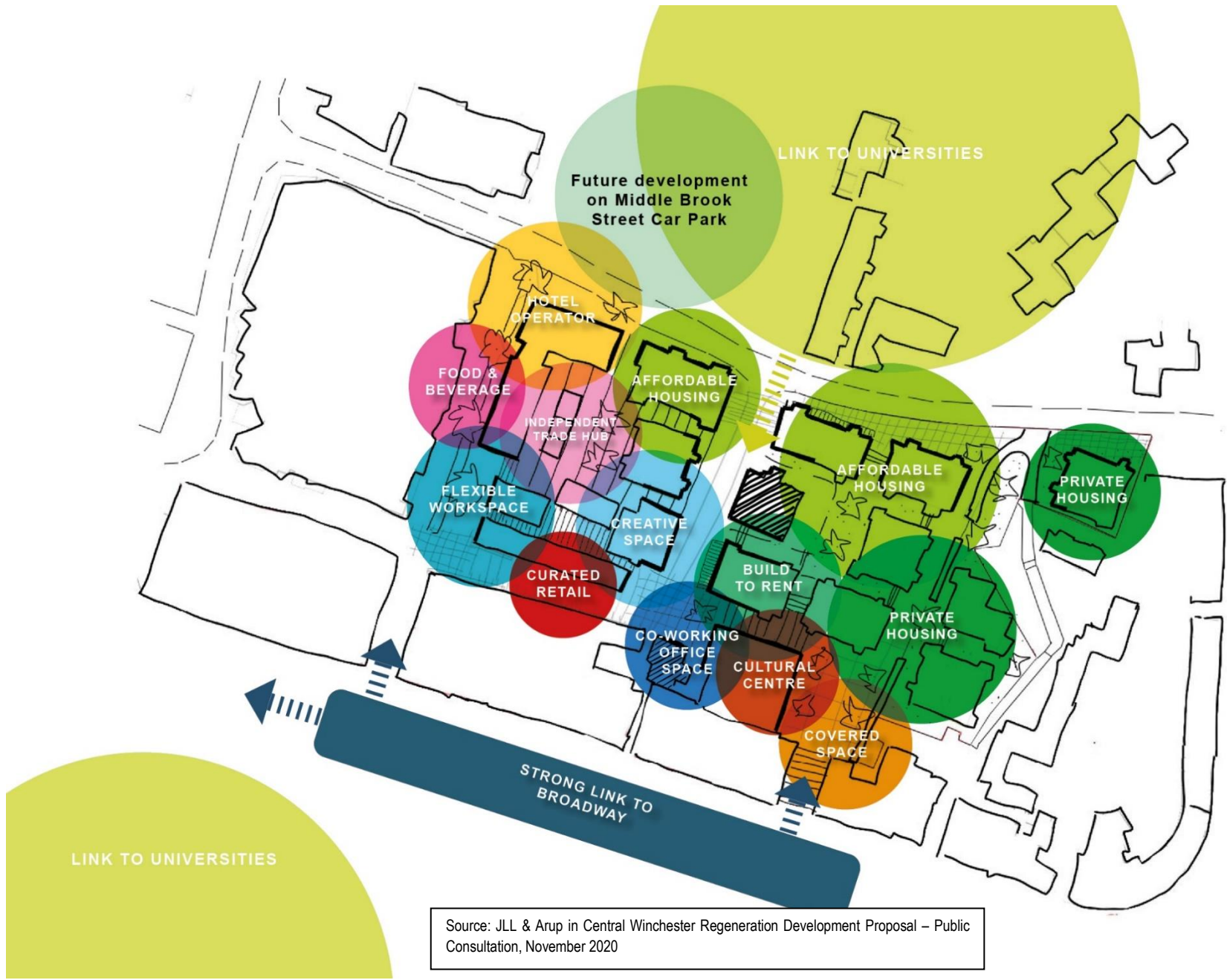


Source: JLL & Arup in Central Winchester Regeneration Development Proposal – Public Consultation, November 2020

LINK TO UNIVERSITIES

*Illustrative diagram

8.2 Appendix B - Development Proposal



Source: JLL & Arup in Central Winchester Regeneration Development Proposal – Public Consultation, November 2020

8.3 Appendix C – Site Boundaries



CWR SPD Red Line



CWR Development Proposals



DA Defined Site

