

REPORT TITLE: CENTRAL WINCHESTER REGENERATION – STRATEGIC  
OUTLINE BUSINESS CASE

21 JULY 2021

REPORT OF CABINET MEMBER: Cllr Kelsie Learney - Cabinet Member for  
Housing and Asset Management

Contact Officer: Veryan Lyons Tel No: 01962 848596 Email  
[vlyons@winchester.gov.uk](mailto:vlyons@winchester.gov.uk)

WARD(S): TOWN WARDS

PURPOSE

Central Winchester Regeneration (CWR) is a once in a lifetime opportunity to transform the centre of our historic county city, bringing homes for local families, providing jobs for local people, making a visit to this heritage city one which will be remembered. The council recognises the role it plays in bringing forward sensitive development, adapting to the challenges faced by a new generation and critically to be delivered through the lens of responding to climate change.

The CWR Development Proposals were approved at Cabinet on 10<sup>th</sup> March 2021 (CAB3281) following public consultation and there is genuine interest in the proposals from the development community. Officers were tasked with exploring the options for delivery of the CWR site, the best way to bring forward the Creative Quarter at Kings Walk and options to provide the on street bus solution.

This report provides an update on progress and sets out the Strategic Outline Case (SOC) for the proposed development site (the Defined Site), which is located within the CWR Supplementary Planning Document red line area (CWR SPD area), addressing the strategic aims, options for delivery and preferred way forward. The Defined Site is illustrated on the plan in Appendix A

RECOMMENDATIONS:

That Cabinet;

1. Approves the Strategic Outline Business Case and agree that officers prepare the Outline Business Case for consideration by Cabinet in autumn 2021
2. Approves revenue expenditure of up to a further £525,000 from the £2m CWR revenue budget to:
  - a. prepare and complete the Outline Business Case for Cabinet approval in autumn 2021.
  - b. Prepare and produce draft procurement and marketing documents for the Defined Site, for Cabinet approval in autumn 2021, subject to approval of the Outline Business Case as referred to in Rec 1 above.
  - c. Research, prepare and submit funding bids to support delivery of the Defined Site.
  - d. Implement the meanwhile uses strategy for Kings Walk as outlined in this report at paragraphs 13.24 to 13.26.
3. Approves a supplementary revenue budget of £275,000 to carry out essential repair and maintenance requirements associated with Kings Walk, funded from the Asset Management Reserve.
4. Approves a supplementary increase of £185,000 to the Kings Walk improvements capital scheme budget and authorises its spend to undertake the additional works, to activate the Kings Walk area in accordance with the meanwhile uses strategy.
5. Delegates authority to the Strategic Director, in consultation with the Cabinet Member for Housing and Asset Management, to prepare, finalise and procure services to carry out improvement works and deliver the meanwhile uses strategy at Kings Walk.
6. Delegates authority to the Service Lead – Legal to enter into contractual arrangements to carry out improvement works and deliver the meanwhile uses strategy at Kings Walk and any necessary ancillary agreements.
7. Instructs the Strategic Director in consultation with the Cabinet Member for Housing and Asset Management, to agree and implement governance arrangements for the next stage of the project.

IMPLICATIONS:**1 COUNCIL PLAN OUTCOME**

- 1.1 Regeneration of central Winchester is a key priority for the council and supports the council plan priorities by working to deliver vibrant new mixed use development that will be creative and innovative.
- 1.2 The council's climate emergency declaration will be one of the critical elements to consideration of any development approaches used so as to work to achieve the net carbon zero targets for the district.
- 1.3 The CWR development proposals, which include the Defined Site, incorporate the objectives and guidance set out within the CWR SPD and 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.

**2 FINANCIAL IMPLICATIONS**

- 2.1 Following the commissioning of work in 2016 to produce and subsequently in 2018 adopt the CWR SPD, a total revenue budget of £1,158,000 and a total capital budget of £750,000 has been approved, all of which is either spent, committed or allocated.
- 2.2 An additional £535,128 has been spent (or committed) with JLL and Arup. Work carried out includes, but is not exclusive to, the CWR Roadmap Review, Competitive Positioning study, testing proposals for the site, assessing delivery models, advice and planning with regard to bus provision, ongoing work on viability, financial analysis, planning and soft market testing to support the CWR development proposals and preparation of the Strategic Outline Case.
- 2.3 Revenue:

Spent	Currently Committed	Currently Allocated
£632,729	£49,803	£475,468
This includes the CWR SPD and supporting reports, specialist consultant advice, legal and accounting fees, archaeology investigation works, Friarsgate hoardings, bus provision due diligence, the business case, communications and consultation support, lower high street and Broadway	This includes further archaeology investigation works, legal fees, the business case and communications and consultation support.	This includes further archaeology investigation works, Kings Walk surveys, communications and consultation, planning strategy, site due diligence, legal fees and fees associated with Kings Walk planning application and operator procurement.

designs and feasibility studies for meanwhile uses, Kings Walk and a hotel.		
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#### 2.4 Capital:

Spent	Currently Committed	Currently Allocated
£49,078	£4,582	£696,340
This is the works to bring Coitbury House back into use as temporary accommodation and Friarsgate Medical Centre replacement interim public space design and pre-app fees.	This includes fees for essential works to Coitbury House.	This includes outstanding works to Coitbury House, demolition of the Friarsgate Medical Centre and further design works for the replacement interim public space. Immediate short term improvement works to the ground floor of Kings Walk and surrounding public realm.

2.5 Work has been carried out to ascertain what budget, both revenue and capital will be required to progress the next stage of the project.

- a) Revenue – £525,000 from the CWR revenue reserve is required to further inform the decision on the delivery of the Defined Site and to proceed to procurement in the Autumn of 2021
  - (i) progress work on the outline business case
  - (ii) carry out market preparation including site due diligence, marketing strategy and deal structure
  - (iii) identify and implement a meanwhile uses strategy for Kings Walk.
- b) Capital expenditure
  - (i) of £185,000 is required to bring forward meanwhile uses for Kings Walk, to re-activate the ground floor areas and surrounding public realm whilst work continues on the longer term plans for the Defined Site as set out in section 13.

2.6 In addition, it should be noted that a recent survey of Kings Walk has highlighted essential maintenance requirements to ensure it can remain operational for existing tenants in the short term. It is recommended that £275,000 additional revenue funding be approved to carry out essential repair and maintenance requirements as set out in section 13. It should also be noted that additional maintenance over and above this initial provision will be required, although the extent of works will be subject to decisions made as part of this report on the short to medium term use of the building.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under section 1 of the Localism Act 2011, the council has the power to undertake any activity a normal person could undertake, so long as not otherwise prohibited by an express statutory restriction. There are no such prohibitions that apply, and therefore the council may pursue the CWR scheme under this power and take steps to deliver it. In doing so, it will be subject to other statutory and common law obligations, including in relation to consultation. In reaching decisions, the council must observe general public law principles framed by the Wednesbury test, i.e. to take account of all relevant considerations, to disregard irrelevant ones, and to act in rational manner. Moreover, the council should have regard to its fiduciary duty, having regard to council tax-payers in particular.
- 3.2 Decisions made as landowner in pursuing the CWR scheme must not fetter the council's discretion as planning authority and therefore the planning functions of the council will remain subject to the usual checks and balances required (i.e. to address conflicts of interests, pre-determination and bias)
- 3.3 All procurement(s) for goods, works and services necessary for delivery of any part of the CWR scheme must be in compliance with the city council's constitution which include the Council's Financial Procedure Rules, Contract Procedure Rules and the Public Contract Regulations 2015 (PCR2015). Any subsequent contracts must be managed in-line with the Council's Contract Management Framework and the Public Contract Regulations 2015. Any changes to procurement law will, of course, need to be taken into full account as they materialise.
- 3.4 In undertaking the CWR scheme the council as landowner must observe its statutory duties, including in regard to the duty to obtain best consideration on any disposal of land, and duties to consult. It should be noted that by carrying out a competitive process to select a purchaser or development partner(s) or contractor(s), the council will be in a stronger position to demonstrate compliance with the duty to obtain best consideration, and must obtain independent valuation advice to validate land values.
- 3.5 The CWR supplementary planning document must be given due and proper consideration which will become more apparent as the project moves forward with the availability of additional information provided through the analysis of the OBC. The CWR supplementary planning document, provides more detail or guidance on policies in an adopted local plan which the LPA will look to in determining any planning application. It is important that the LPA as the planning authority remains separate to that of the applicant.
- 3.6 Local authorities are given powers under the Local Government Act 1972 Act to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the

granting of easements. A power also exists to dispose of land held for planning purposes under the Town and Country 1990. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies), unless the Secretary of State consents to the disposal. Where the disposal is under the 1927 Act there is a general consent to make disposal at under-value where that would contribute to the promotion of the economic, social or environmental well-being of the area., provided that such an undervalue does not exceed £2,000,000. Generally it is expected that land should be sold for the best consideration reasonably obtainable. However, the ability to apply for Secretary of State consent or rely on this general consent recognises that there may be circumstances where an authority considers it appropriate to dispose of land at an undervalue. Authorities should clearly not divest themselves of valuable public assets unless they are satisfied that the circumstances warrant such action and such circumstances must be fully justified.

- 3.7 In determining whether or not to dispose of land for less than the best consideration reasonably obtainable, and whether or not any specific proposal to take such action falls within the terms of the Secretary of State consent, the council should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue. When disposing of land at an undervalue, there remains the need to fulfil a fiduciary duty in a way which is accountable to local people and consider whether or not the disposal gives rise to subsidy control (formerly state aid) considerations.

#### 4 WORKFORCE IMPLICATIONS

- 4.1 The council has sufficient capacity with current staffing levels, together with consultant support, at this stage but following any approval to progress with development work a range of further resource will be required. Therefore a review of the staffing implications and costing of the full work programme is being undertaken.
- 4.2 Work streams, and hence required resource, will include;
- a) next stages of the business case – Outline Business Case and Full Business case including further work on the residual land values and phase viabilities so that decisions at OBC stage are taken with more detailed financial information;
  - b) alongside preparation for the next stage will be work to prepare a marketing and procurement strategy, associated documents, data room set up, market launch and soft market engagement with potential developers;
  - c) develop and implement meanwhile use proposals for Kings Walk to re-activate the building and surrounding area over the next three years requiring input around developing the brief, legal advice such as

- operator agreement, procurement, finance and funding, communications and engagement and planning advice;
- d) demolition of Friarsgate Medical Centre and replacement interim public space requiring input around design and planning;
  - e) external expert planning advice and input to agree the planning strategy; and
  - f) communications and engagement strategy and resourcing.
- 4.3 A clear workstream is also required to review and develop the project governance as we move through the business case considerations. The City Council governance follows best practise in line with Prince 2 methodology but it is appropriate to review the external facing engagement opportunities. It is proposed to establish a cross party Reference Group, similar to the successful Local Plans Advisory Group to provide early and regular engagement as the project develops. The Open Forum will remain as the primary method to update residents.
- 4.4 If the proposal to move forward with a single development agreement across the Defined Site is agreed, then clear and well established governance proposals will be incorporated to the terms and conditions that will remain in place throughout the life of the agreement. These will be scoped for inclusion in the Outline Business Case accompanying report

## 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The CWR SPD vision includes social, employment and urban design as important factors, and hence sets out a less commercial use focus on proposed uses than could have been considered if optimising financial value was the over-riding priority.
- 5.2 Consequently, in terms of making best financial use of assets, the council in adopting the CWR SPD, have already decided that the typologies of mixed uses proposed will afford a greater community benefit than a purely commercially led scheme.
- 5.3 The existing Kings Walk retail units at ground floor level currently produce a rent of £96,000 pa to the council and this income may be lost if the buildings are refurbished, remodelled or demolished. The upper floors are currently vacant, decommissioned due to uncertainty around the future of the buildings. A further £240,000 pa is currently received from other tenants in the Kings Walk/Middle Brook Street block and potential loss of this income needs to be considered as the business case is finalised and development comes forward.

- 5.4 Kings Walk maintenance and expenditure has been kept to a minimum to date, due to uncertainty over its future. A condition survey has been undertaken and identified essential works to be undertaken in the short term.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 The CWR development proposals, which include the Defined Site, were approved at Cabinet on March 10<sup>th</sup> 2021, CAB3281 following an eight week consultation period.
- 6.2 The consultation period opened on 11 November 2020 and closed on 12 January 2021 and focused on creating opportunities for as many people as possible to get involved given to the impact of Covid-19 and restrictions on bringing people together. All activities were designed to allow for virtual, remote access for all. Details of the activities and feedback from the consultation were shared at Cabinet in March.
- 6.3 An Open Forum was held on 26 January 2021 to share with the public the initial feedback from the consultation.
- 6.4 The recent consultation built upon the formal consultation on the draft CWR SPD which started on 11 December 2017 and ran until Monday 5 February 2018. The CWR SPD was adopted in June 2018.
- 6.5 Work was then undertaken on proposals for the site, based on the adopted CWR SPD, and options for the site were developed and presented to stakeholders and the public at an Open Forum Events hosted on 24 September 2019 and 17 February 2020. Feedback from these events was shared with the Open Forum Panel and the Cabinet Member Decision Day on 10 March 2020.
- 6.6 During the period March 2020 to October 2020, a number of stakeholder engagement sessions on elements of the project also took place. These sessions included work to develop public realm guidance, relocation of the bus station and options for Kings Walk. These discussions were fed into the draft CWR development proposals.
- 6.7 A briefing was given to All Members to share the conclusions of the SOC and preferred way forward on Monday 5 July 2021 to update them on progress and next steps for the CWR project.
- 6.8 An Open Forum was also held on 5 July 2021 to share with the public the conclusions of the SOC and the proposed next steps for the project. The Open Forum was attended by over 90 people and a number of questions were asked. These included questions relating to the inclusion of the bus solution and Kings Walk in any Development Agreement, resource within WCC to deliver the project and the process of appointing a developer.
- 6.9 Topics discussed also included timescales, landownership transfer options, social value, private ownership of public spaces and the inclusion of a

museum and performance space. Archaeology and opening up the waterways were highlighted as being of interest and important as was the question of how the design and master planning process would be managed, Other areas of discussion were around improving the bus provision for the long term, achieving net zero carbon and how the project fits with other council projects.

- 6.10 This Cabinet report, together with a presentation, will be considered at a Scrutiny Committee meeting held on 19<sup>th</sup> July and a verbal update on this will be given at the Cabinet meeting to be held on 21<sup>st</sup> July.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The regeneration of the central Winchester area has the opportunity to showcase sustainable development and help meet the council's priority of a carbon neutral district. The concept of city centre living and the 15 minute city help shape a sustainable community. Consideration of the carbon emission impact of development, transport implications, nitrate mitigation and the sustainability of the scheme is a critical part of the development process. The scheme is being devised within the policy framework set by the CWR SPD, the Council Plan and the Council's Carbon Neutrality Action Plan.
- 7.2 JLL provide advice on matters of sustainability and more locally WinACC are engaged through the Open Forum Panel, and the council's sustainability officers are also involved.
- 7.3 The council has considered the carbon impact of wider re-use of existing structures on the development site, rather than wholesale demolition. For example, retention and reuse of Kings Walk may potentially have a lower carbon footprint compared with new-build construction as a result of reduced demolition works, reprocessing of waste materials and waste sent to landfill. It also avoids manufacture, transport and new construction. But this should be balanced against creating a carbon neutral building in an existing structure which also has additional challenges. Clearly the proposals for all buildings will be carefully evaluated in any development proposal.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 As progress on delivery of the CWR development moves forward, the needs of all groups including those who fall within the protected groups defined in the Equalities Act 2010 will be considered. Winchester Access for All is one of the key stakeholder organisations identified to support the council with this.
- 8.2 Careful regard has been given to the council's duties under the Human Rights Act 1998, and the Equalities Act 2010 and detailed assessments will be undertaken if works progress.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 Any data collected as a result of the consultation and engagement with the project will be kept confidential and will not be used for any other purpose unless further permission is sought and agreed from the participant.

## 10 RISK MANAGEMENT

- 10.1 The CWR risk register can be seen at appendix B.

## 11 SUPPORTING INFORMATION:

- 11.1 Without doubt, the engagement undertaken over many years has demonstrated that there is widespread support for the central Winchester area of the city to be repurposed for future generations. The council is critically aware of the role it plays in shaping the development and is committed to reflect development proposals back to the aspirations set out in the CWR SPD. The CWR development proposals will provide a city space that attracts more people, supports the economy, welcomes overnight visitors and enables more of our young people to stay – to build a career in their home district, to live, work and play.
- 11.2 In more recent years, 2018 and 2019, the council has acquired land and buildings at Kings Walk, the bus station and Friarsgate Medical centre. The rationale behind this approach was to enable the council to take the lead in bringing forward regeneration of the area to support the High Street and local businesses and work to build a strong and resilient economy in the city and for the district.
- 11.3 The competitive positioning study commissioned by the council in 2019 as part of the CWR project work, which can be seen on the CWR website pages, shows the challenges we face as a city. These include the lack of affordable living opportunities, workspace and employment opportunities which are a barrier to younger generations staying or settling in Winchester. A limited night time economy provides little reason for younger age groups to visit the city centre and has led to a lack of over-night tourism. This must change to support a sustainable community in the future.
- 11.4 This trend combined with the emerging impact of COVID-19 on the national economy shows that this opportunity in central Winchester can place the city on the front foot to enhance a unique heritage city. It is therefore vital we invest now to ensure our city will continue to attract people to live, shop, visit and work. This approach will bring positive changes to the city centre by delivering a dynamic mix of uses which will reinforce the cultural/heritage and retail heart of the city, alongside additional residential space.
- 11.5 Following a comprehensive consultation exercise, carried out through November 2020 to January 2021, the CWR Development Proposals, which can be seen at appendix C, were approved at Cabinet on March 10<sup>th</sup> and

work on the SOC to explore the delivery options to achieve those proposals has now been completed.

### Consideration of the Strategic Outline Case

- 12 The SOC can be found for review in Appendix D, and the following paragraphs set out key aspects.
- 12.1 The council is guided by the framework of the HM Treasury Green Book using the Five Case Model to identify the best value for spending public sector money taking into account the direct and indirect benefits of the proposals.
- 12.2 The five cases considered in the Green Book process are as follows:
  - a) Strategic Case – establishing the case for change and demonstrating the strategic fit.
  - b) Economic Case – to identify the proposal that delivers best public value to society, including wider social and environmental effects.
  - c) Commercial Case – to demonstrate that the preferred option will result in a viable procurement and well-structured deal.
  - d) Financial Case - to demonstrate the affordability and funding of the preferred option.
  - e) Management case - to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme and its delivery.
- 12.3 Guidance in the HM Treasury document Better Business Cases outlines the process whereby the Business Case is developed incrementally;
  - a) CWR current stage:

Stage 1: Strategic Outline business Case (SOC); to establish the need for investment; to appraise the main options for solution delivery; and to provide decision makers with a recommended – or preferred – way forward, together with indicative costs, for further analysis at the next stage.
  - b) CWR next stage:

Stage 2: Outline Business Case (OBC); to evidence the case for change and the preferred way forward identified in the SOC; establish the option(s) which optimises value for money; outline the deal and assess affordability; and demonstrate that the proposed scheme is deliverable. However, as indicated in the SOC a degree of analysis and engagement has been undertaken for the purposes of the SOC and the OBC stage will be reached by autumn 2021.

c) CWR final stage:

Stage 3: Full Business Case (FBC); to evidence, prior to contract signature, that the most economically advantageous offer is being procured and that it is affordable. In addition, the FBC explains the fundamentals of the negotiated deal and demonstrates that the required outputs can be successfully achieved.

Strategic Outline Case summary

- 12.4 The SOC has been produced as part of, and in line with, the HM Treasury Green Book approach to developing business cases for a Gateway review by the council. There has been significant work done on developing the CWR development proposals since 10<sup>th</sup> March 2021 and in particular, identifying the Defined Site. This has enabled the council to develop a SOC for delivery of regeneration of the Defined Site. This work has progressed certain elements of the 5 Case Model beyond the required level of completeness for SOC purposes, including the level of detailed assessment of the short-listed delivery options and the progress made on the financial appraisal. This will enable progress through to a Stage 2 (OBC) to be more expeditious.
- 12.5 The Strategic case of the SOC outlines how delivery of the CWR development proposals will meet the strategic and investment objectives of the Council Plan 2020 – 2025 and the CWR Supplementary Planning Document (SPD). The Strategic case in the SOC highlights the key objectives from the relevant policies and outlines how delivering the CWR development proposals will work both to deliver the Council Plan key priorities of tackling the climate emergency, housing for all, vibrant local economy and living well and also deliver the vision and objectives of the SPD for a vibrant, mixed use scheme with a cultural offer set in exceptional public realm with the imaginative re-use of existing buildings.
- 12.6 This section of the SOC also identifies the investment objectives for the CWR project such as providing an area that will provide space for young people to live, work and play and also attract and provide for more overnight visitors.
- 12.7 The key strategic and investment objectives are then used to assess the long list of options outlined in the SOC.
- 12.8 The Economic case identifies the long list of options that deliver best public value to society, including wider social and environmental benefits. This section of the SOC looks at key assessment categories;
- a) Solution options; what the options are in terms of the scope and coverage of the development from “business as usual” (minimum) to “do maximum” i.e. – whether to carry on as things are, deliver the CWR development proposals or something in between.
  - b) Implementation options; choices in terms of delivery timescales i.e., incremental delivery verses one single development phase.

- c) Solution delivery options; options for delivery methods from selling the site freehold through to the council delivering the CWR development proposals itself.
- d) Funding options; how will delivery of the solution be financed and funded.

12.9 The assessment categories are then assessed against key critical success factors to establish which elements in the long list will be further considered;

- a) Alignment to city needs
- b) Alignment to the CWR SPD
- c) Alignment to the Investment Objectives
- d) Achieving the benefits optimisation
- e) Affordability
- f) Obtaining planning permission

12.10 The table below is taken from the SOC and shows the long list of options together with the summary of the findings.

Option	Descriptor	Finding
<b>Assessment 1: Solution</b>		
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	<b>Included.</b> Option most closely aligned with the investment objectives
<b>Assessment 2: Implementation</b>		
2.1	Single phase	Excluded. Not aligned to SPD phased development approach
2.2	Incremental	<b>Included</b>
<b>Assessment 3: Solution delivery</b>		
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.	Excluded. High WCC expenditure and resource

	Followed by a development agreement with one development partner to bring forward the remaining land parcels in the defined site	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	<b>Included</b> as shortlisted option
3.5	Development agreement across the defined site with one development partner	<b>Included as preferred</b> shortlisted option
3.6	WCC acting as master developer	Excluded. Requires significant capital expenditure, resources, and expertise.
<b>Assessment 4: Funding</b>		
4.1	Private funding	<b>Included</b> as a blend of both private and public funding is preferred
4.2	Public funding	<b>Included</b> as a blend of both private and public funding is preferred

12.11 It can be seen that options taken forward to the short list for further consideration are;

- a) Do maximum with regard to what is delivered
- b) Delivery should be phased
- c) Delivery route should be either;
  - (i) WCC to bring forward Kings Walk Creative Quarter with a development partner secured under a development agreement for the remainder of the site.
  - (ii) A development partner secured through a development agreement across the Defined Site, with a development to be bought forward in distinct phases. A short term meanwhile use strategy will be implemented to bring improvement and activity to Kings Walk while a partner is found.
- d) Funding to be a blend of public and private finance.

For these purposes the exact form of development agreement would be ascertained at OBC stage but would be a contractual agreement with a developer appointed through a competitive process detailing the respective obligations of each party (the council and developer) and securing development on agreed terms.

12.12 As the council is keen to progress with the CWR project the shortlisted options are assessed in the SOC to enable a decision as to the preferred option. The table below summarises the outcome;

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

- 12.13 The preferred option will be explored in more detail in the OBC, including as to the form and content of the procurement strategy and terms of agreement(s) to be entered into.
- 12.14 The Commercial Case section of the SOC outlines the proposed deal structure in relation to the preferred option. This will be further developed at OBC stage.
- 12.15 The council will procure a development partner on the basis of carefully prepared procurement documentation and detail on this approach is included in the SOC (and will be developed further in the OBC).
- 12.16 In addition to the procurement of the development partner, specialist support will be required in areas such as legal, finance and estates as well as expert external advisors to support internal resources.
- 12.17 The Financial Case section of the SOC assesses the viability of the shortlisted options based on the assumption that the Kings Walk building is refurbished in phase 1.
- 12.18 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.
- 12.19 The Management case 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. The SOC touches on key considerations that will be explored in more detail at the OBC stage but currently includes key programme governance, timelines and gateways.

- 12.20 The 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 the delivery options. It concludes that the preferred option is through a contractual agreement (development agreement) with a development partner to bring forward development of the Defined Site.

Strategic Outline Case Conclusion

- 13 The preferred route involves WCC procuring a partner through a competitive tendering process to bring forward phased delivery of the Defined Site. The plan at appendix A shows the Defined Site in relation to the CWR Development Proposals area and the CWR SPD red line area.
- 13.1 This would involve a likely 9-12 month partner selection process to secure a development partner to bring forward development in phases by way of a contractual agreement with the council.
- 13.2 The development agreement between the council and the development partner would set out the roles and responsibilities of both parties. This would not fetter the council's role and duties as local planning authority. The development agreement for the Defined Site would be drawn up to meet the council's objectives and issued as part of the procurement process. That procurement process would limit the ability of the prospective developer partner to undermine those objectives by seeking amendments (because they will be bidding in competition). The development agreement would include conditions and obligations around planning, design, quality, funding, phasing and other key areas important to the council and there would be checks and balances built in to ensure compliance. As is common, the agreement would enable other parties to be involved, such as registered providers, retail specialists and other off-takers.
- 13.3 As majority landowner, the council will control the process for selection of a developer and can (by reference to its award criteria) select a partner that will best deliver the council's objectives. The council can transfer development risk to the development partner and the developer will bring expertise and resource that the council might not have access to. The development agreement would provide levels of control to the council through conditions and obligations and provide a mechanism for phased delivery across the Defined Site, thereby ensuring comprehensive regeneration and the ability to balance viability and uses efficiently.
- 13.4 In arriving at the preferred option, and in addition to the financial and affordability factors which will be further interrogated at the OBC stage, careful consideration has been given to the views expressed throughout the CWR development proposals consultation, held late 2020/early 2021, and more widely in general about a single development partner developing the whole CWR SPD red line area.

- 13.5 The council is fully committed to delivering a scheme that meets the vision and objectives of the CWR SPD and has taken the time, through developing the SOC, to explore options that will ensure delivery of a vibrant, creative mixed use scheme in line with the aspirations of the CWR SPD.
- 13.6 The CWR SPD envisages using multiple developers to bring the CWR SPD red line area forward by way of smaller projects on individual sites, with multiple developers. It also envisages that multiple architectural practices will be used. The preferred option for development and delivery of the Defined Site represents an apparent departure from what was envisaged by the SPD, but on analysis is considered to be consistent with the delivery route envisaged by the CWR SPD, and the most appropriate option because the Defined Site:
- a) Sits within the Defined Site, but is not wholly, the CWR SPD red line area. Therefore, the preferred delivery route retains flexibility around appointing different development partners over time. An early phase of delivering the Defined Site is to implement meanwhile uses therefore smaller projects are also currently being progressed at Coitbury House and Friarsgate Medical centre and there are plans to bring an additional project forward at Kings Walk.
  - b) Retains the incremental approach of delivery in phases within the Defined Site with the early phase of meanwhile uses currently being implemented. Future phases can come forward on other parcels of land as appropriate.
  - c) Enables better integration of multiple design inputs from multiple partners within the Defined Site through the opportunity to build this requirement into the terms of the development agreement. Future phases outside the Defined Site can come forward with different design inputs from other architects and developers as appropriate.
  - d) Enables better sharing of infrastructure and public realm related costs across land parcels within the Defined Site to ensure cohesive delivery. Future land parcels can be delivered as appropriate using the same design guidance thus ensuring a cohesive and comprehensive scheme across the CWR SPD red line area.
  - e) Under the development agreement can enable smaller sites to be developed under a masterplan and phasing strategy and does not preclude bringing in additional parties with specialist ability (including design inputs).
- 13.7 The SPD also envisaged no requirement for use of CPO powers. Delivery of the Defined Site does not require the use of CPO powers as the land is within the council's ownership. Although the CWR SPD envisages no requirement for CPO, it may be necessary to re-consider this as future phases come forward but it is the councils desire to bring forward development of future phases through negotiation

- 13.8 The council has carefully considered how the desired outcome can be achieved by adoption of the preferred delivery option, in recognition of consultation responses in particular, the conclusions drawn are:
- a) As majority landowner and promoter of the scheme (see Appendix E), the council can (through the competitive procurement process) select a development partner that shares in the council's objectives and will best meet its requirements. When looking for the right partner, the council can consider the potential partners track record, their approach to providing wider social value and views on sustainability together with other key elements that are important for the council and the wider community. There are developers in the market that specialise in delivering mixed use schemes that are looking to invest for the long term. They can bring a wealth of knowledge and experience and the council has the opportunity to scrutinise the credentials and intentions of interested parties through the procurement process.
  - b) Through the procurement process the council can set out the structure and terms of the development agreement it will enter into that will form part of the bidding process. Alignment to the council's vision and objectives forms part of the tendering and evaluation process. Through dialogue within the procurement process, the council can select the right solution offered on terms satisfactory to the council that are binding on the developer.
  - c) It is important that the aspirations set out in the CWR SPD are met. The development agreement will regulate in detail how the council and developer will work together on the development proposals, master planning, phasing and planning applications. The development partner can bring expertise to that process and ongoing pre-application discussions with the planning department will monitor how plans adhere to the CWR SPD guidance.
  - d) The preferred option identified in paragraph 12.19, following completion of the SOC, is that a single development partner is found for the Defined Site but as this will take some time, and, in addition to progress at Coitbury House and Friarsgate Medical Centre (details of which are included later in this report), work has been done to identify how Kings Walk can be improved and activated in the meantime, further to the short term works already approved (CAB3281). To ensure that the meanwhile uses strategy continues once a development partner has been chosen, any development agreement entered in to may contain an obligation for the development partner to have a meanwhile use strategy and this will build on the activity already implemented by the council.
- 13.9 The council has carefully considered the shortlisted options and the conclusion in the SOC that a single development agreement across the Defined Site is the preferred option and examined the advantages and

disadvantages together with key factors such as levels of council control and risk, public views and long term aspirations for the city and financial and commercial considerations.

- 13.10 Recommendation 1 in this report, is therefore, that Cabinet approves the SOC and progresses to the OBC. In considering that recommendation, members of the Cabinet should very carefully consider the matters dealt with in this report and the SOC and in particular how the recommended delivery option best enables delivery under the SPD. This will enable further work to be done to move towards development of the Defined Site with a single development partner through a development agreement. The OBC will be brought back to Cabinet for approval in autumn 2021.

#### New proposals for the Kings Walk area

- 13.11 The council remains committed to bringing forward improvements to the surrounding area in the immediate future but financial modelling carried out to inform the SOC indicates that the proposal to refurbish Kings Walk to the standard outlined in the feasibility study as a first phase for the redevelopment is not affordable for the council.
- 13.12 Refurbishment of the building to a suitable standard to operate as a creative hub to support established or emerging creative and local businesses with affordable workspace and contribute to increase the quality of life and offer to Winchester's residents and visitors would require significant up front capital expenditure.
- 13.13 To inform decision making within the SOC, a soft market testing exercise was carried out with a range of potential operators in the UK who cover the primary fields of artistic studios, creative / makerspace, co-working, food halls and emerging leisure trends, to fully understand the market.
- 13.14 Those consulted suggested there would be flexibility around the structure of an arrangement, such as by way of management agreement, JV, partnership, profit share and turnover lease. All stated that any interested operators would want to be involved in the refurbishment and design of the Kings Walk building.
- 13.15 Three parties, because of their track record, ability to work with local authorities, keenness to work with local businesses, and the opportunity for their brand to bring something new and fresh to Winchester went on to share their ideas for Kings Walk with the council and presented to the council to enable discussion and questions.
- 13.16 The sessions with these operators were attended by WCC officers, JLL consultants and cross party membership. Each operator presented their ideas before entering into a question and answer session. A summary of the feedback is set out below:
- a) Innovative design work and wealth of experience

- b) Very different cost base, rental assumptions and suggested payback to WCC showing options for potential deal structures but there would likely be significant upfront payment required from WCC with uncertainty around the return.
  - c) Highlighting the choices around using national operators large existing networks which would be highly attractive to potential occupiers, with those parties that have a greater understanding of the local market in Winchester
- 13.17 The output from the soft market testing exercise has been incorporated and fully explored in the work done to prepare the SOC and the conclusion of the SOC is that the best way forward to ensure delivery of the creative quarter at Kings Walk is via the single development agreement route as an integrated part of the comprehensive regeneration of the area.
- 13.18 In addition to the soft market testing exercise and in order to confirm the council's commitment to revitalising the Kings Walk area, a budget of £200,000 was approved at Cabinet in March (CAB3281). The budget was made available to carry out short term works to improve the ground floor and public realm around Kings Walk ahead of further activating and re-using the space in line with the councils desire to bring about change.
- 13.19 The short term works are as follows;
- a) Enhance ground floor entrances, courtyard and undercroft
  - b) Convert Loading Bay into events space
  - c) Silverhill frontage improvements
- 13.20 Approval to spend this budget was subject to the outcome of further intrusive testing on the structural integrity and survey work to establish the current condition of the building. This £200,000 budget remains available to carry out the works outlined in the March Cabinet report.
- 13.21 The intrusive investigations are ongoing and likely to be completed in the next 6 to 12 weeks.
- 13.22 The condition survey has now been completed and the conclusion is that in order to keep Kings Walk in use, either long or short term, further maintenance work is required.
- 13.23 The condition survey has identified that up to £275,000 of expenditure is required in 2021 for Health and Safety/Essential maintenance to prevent further deterioration and to maintain the building in an operational condition for existing tenants. This will need to be funded from the Asset Management Reserve. Some additional expenditure will be required, although the extent of works in future years is subject to decisions made on the short to medium

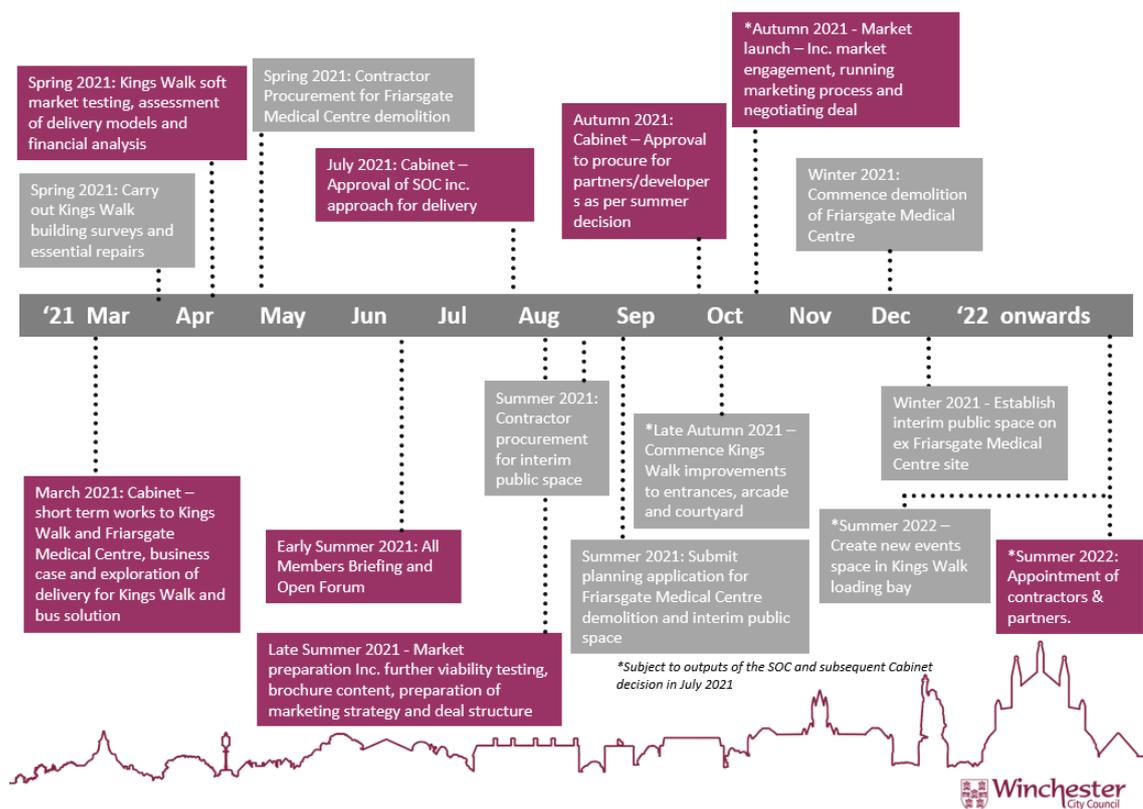
term use of the building. Work is underway to determine whether this can be absorbed in existing maintenance budgets.

- 13.24 Having established that the vision for the creative quarter is best delivered through the single development agreement route, further work has been carried out to investigate alternative meanwhile uses for Kings Walk that go beyond the £200,000 already approved to bring about significant improvements to, and re-activate the ground floor areas and surrounding public realm whilst work continues on the longer term plans for the CWR area.
- 13.25 The meanwhile uses strategy will be developed and implemented for a period of three years from 1<sup>st</sup> Jan 2022 aligning with lease renewals in Middle Brook Street and existing uses will be reviewed against fit for preferred tenant mix. The aim will be to carry out physical improvements to the building whilst bringing about an increase in activity and footfall for the area and bring in creative uses as a starting point for the longer term creative quarter. The council will explore options that might include activating the roof top car park and enhancing the work to create an attractive space in the Kings Walk courtyard, together with looking at additional improvements to the public realm at Middle Brook Street. Key to bringing about change and activity to this area will be to publicise and market the opportunities and activities that will be available.
- 13.26 A budget of £185,000 (see Appendix F) will be required to explore and carry out works to enable implementation of the meanwhile uses strategy.
- 13.27 The options around re-using Kings Walk have been carefully considered in the options contained in the SOC and in arriving at the preferred option and Recommendation 4 in this report, is that Cabinet approves the implementation of a meanwhile uses strategy as outlined above.

#### Next steps

- 13.28 Identify and carry out improvements, in addition to the approved short term works, and implement meanwhile uses at Kings Walk.
- 13.29 Progress to the OBC stage to identify;
- a) Economic case: More detail on the public benefits – wider social, economic and environmental effects/benefits.
  - b) Commercial case: Potential draft deal structure and Heads of Terms, marketing material, data room, procurement docs and process
  - c) Financial case: detailed analysis on potential draft deal structure and Heads of Terms to ensure continued viability and affordability
  - d) Management Case: details on deliverability

- 13.30 Engage with key partners with regard to opportunities to apply for external funding to support delivery of the CWR development proposals.
- 13.31 Establish CWR Reference Group in line with the approved recommendation at March Cabinet (CAB3281). The CWR Reference Group will include cross party representation and will be established to act as a sounding board as the project progresses through the procurement and development phases. The Group will draw on external experts as necessary to provide specialist advice and guidance to the Group who will provide comments to inform Cabinet during the decision making process.
- 13.32 Timeline to next Cabinet in autumn



**ASSOCIATED WORKSTREAMS**

The primary work being undertaken is the overall delivery option for the site but there are several critical associated workstreams

**Buses and WMS**

- 14 Relocation of the bus station is crucial to allow development of the eastern side of the site. It was agreed - by Cabinet in March that further work should be done to explore the options as to delivery of the proposed CWR bus solution, which is to provide enhanced public realm and bus facilities on street.
- 14.1 In tandem with the CWR work, the WMS workstream is progressing towards the phase 2 study summary which looks to outline next steps in the wider

strategy to achieve the vision to support economic prosperity whilst enhancing Winchester are a place where people can have an excellent quality of life.

- 14.2 Public consultation in 2017 and 2018 showed strong support for 3 key WMS priorities;
- a) Reducing city centre traffic
  - b) Supporting healthier lifestyle choices
  - c) Investing in infrastructure to support sustainable growth.
- 14.3 Extensive work has been done to identify an interim bus solution that will allow redevelopment of the current bus station and work towards fulfilling and supporting the outcomes of the WMS. The joint Winchester City Council and Hampshire County Council Winchester Movement Strategy (WMS) team and the bus operators have worked alongside the CWR project team, together with consultants Arup and Atkins, to provide significant detail to support delivery of the interim bus solution which was shared at the CWR Development Proposals consultation in November and December 2020.
- 14.4 The WMS bus provision study has identified that the proposed CWR interim bus solution can be implemented so as not to preclude any next steps proposed within the WMS work whilst remaining able to respond to any conclusions reached in later phases. Plans to transform The Broadway over time are supported within the WMS and work has been done to identify how and when that could come about.
- 14.5 Following publication of the Bus Back Better strategy setting out the government's vision to deliver better bus services for passengers, an additional work stream to develop a bus strategy as part of the WMS which will outline ambitious objectives around the future of bus provision in the city and the wider district is being progressed. The CWR regeneration will play a part in achieving these ambitions but further work should be done with regard to sharing the joint long term vision more widely with key stakeholder groups and members of the public so the WMS team is currently developing a strategy to do this.

#### Coitbury House

- 14.6 Planning permission granted 29<sup>th</sup> January 2021, landlord and tenants works have now been completed and LOWE began marketing the building on June 1<sup>st</sup> 2021 for occupation from 1<sup>st</sup> July 2021.
- 14.7 The Nitrates mitigation position has been agreed and final documents are in train, other planning conditions concerning water usage and foul and surface water drainage have been discharged.

- 14.8 At the time of writing, 8 guardians have signed up and are moving in to the building and comprise local key workers and interest in the remaining rooms is high.

Friarsgate Medical Centre (FGMC) and Busket Lane

- 14.9 Following the Cabinet approval, Arup who have been appointed as the designers for the project under the JLL contract, have continued developing the concept design of the interim public space. The demolition of the building and which walls on site that would be retained within the new design were also considered.
- 14.10 With the concept design at an advanced stage, three separate meetings were held with key stakeholders, the School of Art, Play to the Crowd and Hampshire Cultural Trust on March 31<sup>st</sup>. Attendees were shown a short presentation of the concept design and were invited to provide feedback. Aspects such as an event space and providing an area for local art work were some of the key points raised in the feedback. This feedback was then incorporated into the concept design.
- 14.11 Following further developments of the concept design, a pre-planning application was submitted on April 12<sup>th</sup> to seek feedback on the relevant policies and issues.
- 14.12 The demolition aspect of the project was put out to tender and a preferred bidder was identified, with the demolition of the building ready to commence once planning permission is received. Anticipated time scales are;
- |                |   |
|----------------|---|
| Summer 2021    | Planning application and permission   |
| Feb-Jun 2021   | Procurement of demolition contractor  |
| July-Sept 2021 | Demolition of FGMC to ground floor slab   |
| Oct-Dec 2021   | Create interim public open space in line with long term CWR development proposals |
- 14.13 To complement the work being carried out at Friarsgate Medical Centre, additional improvement work is being undertaken to open up Busket Lane and the vacant space at the bus station, Busket Yard, utilising funding from the Government's Reopening High Street Safely (RHSS) European Regional Development Fund (EDRF) programme. This funding is to support the high street and city centre recovery after COVID, and to help local authorities deliver activities. The area will see painted tarmac in the bus station yard, as well as planters and seating, with bunting hung between the Crown & Anchor and Incognito. The aim is to activate the area to be a public meeting and performance space and help create the link from the Broadway to the new public space at FGMC once it is completed.

- 14.14 Work is due to commence in early July, with a completion by the end of July 2021.

Communication and engagement

- 14.15 The following key milestones will be used to create positive news stories to maintain public interest and excitement.
- a) Cabinet decision – July 2021
  - b) FGMC – approval of design of interim public space
  - c) FGMC – start of demolition works on site
  - d) Next steps on Kings Walk
  - e) Archaeology updates
- 14.16 Press releases, social media posts, mailshots to the CWR database and updates the website will be issued for each of these milestones, as appropriate.
- 14.17 Briefing sessions and site visits will also be undertaken with key stakeholders to provide updates on progress and maintain dialogue.
- 14.18 Being mindful of any potential negative impacts on local residents and businesses (e.g. disruption caused by demolition of FGMC), those affected will be kept updated on plans, and measures that will be taken to minimise any inconvenience, via direct communications (e.g. letters), as well as via social media.
- 14.19 A CWR Reference Group will also be set up to act as a sounding board as the project progresses, drawing on cross party representation, stakeholders and external experts as necessary to inform the decision making process.

15 OTHER OPTIONS CONSIDERED AND REJECTED

- 15.1 SOC option 3.4 WCC deliver Kings Walk and find a development partner (DA) across the remainder of the site;
- a) Kings Walk: 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.

- (i) Key advantages are around the level of control with certainty of delivery, certainty of timescales and potential to secure external funding to support delivery.
  - (ii) Key disadvantages are around cost and risk, work to bring the building in to use in line with the vision explored is substantial and the cost would need to be funded by the council. The council would also bear the risk for delivery and operation of the project and there would be no comprehensive redevelopment of the Kings Walk site as part of the CWR project.
- b) Wider Defined Site Delivery: This route involves WCC procuring a 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 in phases, excluding Kings Walk, by way of a contractual development agreement with WCC.
- (i) Key advantages around cost, risk and expertise. Both cost and risk of delivery are transferred to the developer and in addition, the developer will also bring resource and expertise to the project. The council can maintain a level of control through the terms of the DA.
  - (ii) Key disadvantages are around level of control with the council and developer working together to agree delivery and timescales. An additional consideration is that a key gateway to the site may remain undeveloped for 15 years and some parties view Kings Walk as unattractive and dated therefore there would be no comprehensive redevelopment across the site.
- 15.2 Through analysis carried out for the SOC, this option did not score as highly as the preferred option in meeting the Critical Success Factors identified in the SOC and has therefore been rejected.
- 15.3 Not to progress the CWR project to the OBC stage and either;
- a) Revisit justification and objectives for the project
  - b) Do nothing and continue with the current arrangements
- 15.4 Considerable public engagement and consultation has taken place through the adoption of the CWR SPD and the subsequent CWR Development proposals and there is a clear need and desire to progress with the CWR project. If the council decided to either revisit the justification for the project and potentially start again or continue with current arrangements, regeneration of the area would be delayed which would jeopardise the future resilience and prosperity of the city. The objectives of the CWR SPD and Council Plan would not be met and the opportunity to address the gaps

identified in the Competitive Positioning report would be missed. This option has therefore been rejected.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3034 Central Winchester – Adoption of SPD - June 2018

DD17 Cabinet Member for Housing and Asset Management Decision Day CWR Project Update – 12 October 2020

CAB3271 CWR Development Proposals - November 2020

CAB3281 CWR Development Proposals and Delivery Strategy – March 2021

Other Background Documents:-

*Available on the WCC website:*

CWR SPD

Competitive positioning report

Road map review

CWR bus provision - Working draft

Kings Walk feasibility study

CWR development proposals

[CWR Consultation Nov-Jan 21 Summary](#)

[CWR Arup Kings Walk Structural Survey Report 24 10 19](#)

APPENDICES:

Appendix A: Site plans

Appendix B: CWR risk register

Appendix C: CWR development proposals

Appendix D: Strategic Outline Case

Appendix E: CWR Strategic outline case

Appendix F: Kings Walk Financial Appraisal

Exempt Appendix G – CWR Strategic Outline case – Extract of Financial Information