

REPORT TITLE: CENTRAL WINCHESTER REGENERATION - OUTLINE
BUSINESS CASE

15TH DECEMBER 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

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.

Following approval of the CWR Development Proposals at Cabinet on 10th March 2021 (CAB3281), 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), was completed and approved at Cabinet on 21st July 2021 (CAB3303).

This report sets out the Outline Business Case (OBC) for the Defined Site, building on work done to complete the SOC which identified the preferred way forward, outlining the procurement process to find a development partner and laying out the key commercial principles that the council will seek during the procurement process.

RECOMMENDATIONS:

That Cabinet;

1. Approve and adopt the Outline Business Case and notes that a Final Business Case will be presented to Cabinet for decision as indicated in the Outline Business Case and authorises the Strategic Director with responsibility for the central Winchester regeneration project to proceed with the preparation of the Full Business Case.

That subject to the agreement of council (rec 8 below), that Cabinet;

2. Agrees to adopt a 70% Quality to 30% commercial evaluation weighting as a derogation from the Council's Contract Procedure Rules (paragraph 29) in order to reflect the council's aim for a high-quality scheme and to use the competitive dialogue procurement procedure.
3. Agrees to adopt the Stage 1 Selection Questionnaire Suitability Technical Questions and associated weightings as set out at Appendix A.
4. Agrees to adopt the procurement Stage 2 Evaluation Award Criteria and associated weightings as set out at Appendix B.
5. Agrees to adopt the commercial approach contained in the Commercial Case of the OBC and the Commercial Principles Paper set out at Appendix C and in particular to note the central Winchester regeneration procurement be on the basis of a single developer delivering the scheme under a development agreement as decided at CAB3303.
6. Delegate authority to the Strategic Director with responsibility for the central Winchester regeneration project in consultation with the Portfolio Holder Asset Management to finalise all documentation for the procurement process, including any minor or necessary amendments and to progress such procurement, using the competitive dialogue procedure [keeping Cabinet apprised of progress] and when appropriate to seek Cabinet approval for the appointment of the preferred development partner.
7. Approve expenditure of £733,000 from the remaining £1.085m budget allocated to the CWR project to enable officers to progress the procurement and preparation of a Full Business Case.

That Cabinet refer to Full Council to;

8. Authorise the Strategic Director with responsibility for the central Winchester regeneration project to initiate and conduct the procurement process for the selection of a development partner for the central Winchester regeneration 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 Tackling the Climate Emergency and Creating a Greener District

The city council has declared a Climate Emergency and is committed to sustainable development. Our Carbon Neutrality Action Plan ensures all council activity is undertaken with a view to supporting our commitment to achieving net zero carbon. We will be working with partners to ensure that development in the CWR area is undertaken sustainably. The proposed development would align to this ambition.

1.3 Homes for all

Development on the site will provide for residential units aimed towards meeting the need of the younger generation. This approach contributes to the homes for all objective by filling the existing gap of affordable, smaller units that the market is unlikely to provide. By meeting the needs of the younger generation, resilience is built in to the local economy to balance the growing age gap.

1.4 Vibrant local economy

The CWR development proposals incorporate the objectives and guidance set out within the CWR SPD and 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 council's Green Economic Strategy sets out the opportunity to build a cluster of national significance in creativity, design and related heritage and nature/land based professional services along with the opportunity to deepen a creativity network of scale. This development, together with other emerging proposals across the city, would therefore support the economic development in line with the council's already stated ambitions

1.5 Living well

The provision of improved green and open space across the CWR area will encourage residents and visitors to spend and enjoy more time outside and, with the emphasis on pedestrians and cyclists, will also promote active travel and improve air quality. This will have positive impact on both physical and mental health and work to promote the health and wellbeing of those living, working and playing in the area.

1.6 Your services, your voice

Public views have been taken in to account through the adoption of the Central Winchester Regeneration Supplementary Planning Document and the subsequent CWR development proposals and as regeneration of the central Winchester area comes forward, there will continue to be regular opportunities for the public to engage in the process.

2 FINANCIAL IMPLICATIONS

2.1 Following the commissioning of work in 2016 to produce and subsequently in 2018 adopt the CWR SPD, Cabinet have previously approved revenue expenditure of £1,683,000 (including £915,000 that has been spent from the £2m approved as part of the general fund budget in February 2021) and a total capital budget of £935,000 has been approved, all of which is either spent, committed or allocated.

2.2 Revenue

| Spent | Committed | Allocated |
|---|---|---|
| £925,441 | £76,917 | £680,642 |
| This includes the CWR SPD and supporting reports, specialist consultant advice, legal and accounting fees, archaeology investigation works, bus provision due diligence, the outline business case, procurement documentation preparation, communications and consultation support, lower high street and Broadway designs and feasibility studies for meanwhile uses, Kings Walk and a hotel. Site due diligence | This includes further archaeology investigation works, legal fees, and communications and consultation support. | This includes further archaeology investigation works, communications and consultation, planning strategy, marketing materials, legal fees and fees associated with Kings Walk meanwhile uses strategy. |

2.3 Capital

| Spent | Committed | Allocated |
|--|--|---|
| £81,342 | £17,137 | £836,521 |
| This is the works to bring Coitbury House back into use as temporary | This includes fees for essential works | This includes outstanding works to Coitbury House, demolition of the Friarsgate |

| | | |
|---|--|---|
| accommodation and Friarsgate Medical Centre replacement interim public space design and pre-app fees. | to Coitbury House and Kings Walk, and survey work for Friarsgate Medical Centre. | Medical Centre and replacement interim public space. Immediate short term improvement works to the ground floor of Kings Walk and surrounding public realm. |
|---|--|---|

- 2.4 In addition to the above, a further £535,128 has been spent or committed from the central Strategic Adviser budget in relation to JLL and Arup work on CWR. 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.
- 2.5 Work has been carried out to ascertain what revenue budget will be required to progress the next stage of the project.
- a) £733,000 from the remaining £1.085m of the £2m budget (leaving £352,000) set aside for CWR is required to manage and complete the procurement process for a development partner
- (i) progress work on the full business case
 - (ii) market engagement and running the procurement process
 - (iii) negotiating the deal
- 2.6 Financial Implications of the Outline Business Case – The full detail of the financial case for the development is set out in exempt appendix. The proposal sets out a commercially viable development. However, the Council has yet to determine how it can address the loss of income generated from the existing site or to cover the financing costs relating to land assembly in recent years (Kings Walk, the Bus Station, Friarsgate Medical Centre etc).
- 2.7 The net revenue impact on the Council's General Fund of the loss of income amount to £669,000 per annum. This does not take account of additional council tax and, given uncertainties on future business rates retention, business rate income that the site will generate which will directly fund additional services to residents and businesses in the development. The development partner will be expected to set out exactly how they propose to address the Council's revenue impact, whether that be by the Council retaining some income stream from the development, an increased overall value/capital receipt sufficient to offset these costs or by securing additional grant funding to support the development.

- 2.8 The detail on exactly how the development partner can address the above revenue impacts will form an important part of the final business case. At that stage, the Council will need to determine whether proposals are acceptable and affordable (this could include adjusting the “development quantum”) or whether the costs can be absorbed within the Council’s medium term financial strategy.
- 2.9 The Financial case currently makes no assumptions in relation to potential grant funding (Homes England grant to support the delivery of affordable housing provision for example) or additional contributions from the Council’s Community Infrastructure Levy funds, both of which provide scope to improve the overall value of the development.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council has taken external legal advice from Browne Jacobson LLP on potential procurement options, and on the Commercial Case presented in the OBC. Legal implications are addressed under the following headings.

Powers

- 3.2 Section 1(1) of the Localism Act 2011 introduced the “general power of competence” for local authorities, defined as “the power to do anything that individuals generally may do” and which expressly includes the power to do something for the benefit of the authority, its area or persons resident or present in its area”. The generality of the power conferred by subsection (1) is not limited by the existence of any other power of the authority which (to any extent) overlaps the general power. Therefore, this power may be relied on to carry out the regeneration of central Winchester as recommended in this report.
- 3.3 In addition to the general power, Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any other of its functions, whether involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property. This further supports the lawfulness of the recommended approach. The Council has powers under the Housing Act 1985 (by Section 9) to provide housing accommodation and therefore is a legitimate function to which section 111 would attach (that Section 9 power may be exercised by the disposal of land to a person who intends to provide housing accommodation on it).
- 3.4 The general power of competence referred to is subject to any express prohibitions, restrictions or prohibitions imposed by statute which mean that the Council is unable to rely on that general power. External legal advice confirms that there are no such express limitations preventing the adoption of the recommendations.
- 3.5 The Council’s objectives for the regeneration of central Winchester regeneration are described in this report and are not investment purposes.

The purpose is the advancement of the regeneration of the City. As such, the Council is not under an obligation to have regard to statutory guidance on the exercise of investment powers under the Local Government Act 2003. Likewise, the Council is not pursuing a commercial purpose requiring it to set up a company (pursuant to Section 4 of the Localism Act 2011).

- 3.6 Accordingly, Cabinet is advised that the adoption of the recommendations are within the powers of the Council.

Exercise of Powers

- 3.7 In reaching a decision, Cabinet members should consider whether resultant expenditure (and other financial consequences) is prudent, having regard to the Council's general fiduciary duties. It must also reach a decision by reference to all relevant considerations, disregarding irrelevant ones, and be satisfied that the recommended course of action is a rational course of action for the Council. The Report details the justification for the regeneration of central Winchester including the financial implications involved.
- 3.8 Consideration should also be given to the risks and costs involved including those set out in the CWR risk register at appendix F. Other risk factors include the risk of legal challenge to the decisions now to be taken and throughout the procurement of a developer partner, having regard to the risk mitigation steps that will be applied. The representations made regarding the scheme (including any that intimate that there may be a legal challenge) are relevant factors to take into account, but do not of themselves oblige the Council to take a particular course of action.
- 3.9 It is also of importance for Cabinet members to give consideration to the alternative options for the delivery of the regeneration of central Winchester, but having regard to previous consideration of that under the approved SOC.

Procurement

- 3.10 Where applicable, the Council, as a contracting authority, must adhere to the rules set out in the Public Contracts Regulations 2015 (the Regulations). The threshold above which the award of public services contracts must comply with the full rigour of the Regulations is £189,330 and for works contract the sum is £4,733,252. For over-threshold contracts, contracting authorities must, among other things, publish a contract notice and thereafter follow the Regulations.
- 3.11 This project will exceed these thresholds and would qualify as a works contract because the terms intended for the development agreement will result in there being enforceable obligations to carry out specified works (having regard to the definition of a public works contract under the Regulations and relevant case law (notably R Faraday Developments Ltd v West Berkshire Council St Modwen Developments Ltd)).

- 3.12 In conducting the procurement, the Council will be bound to observe the general principles enshrined in the Regulations, namely openness, transparency, non-discrimination, and confidentiality. The observance of the Council's Contract Procedure Rules also recognise and require compliance with the Regulations. The procurement strategy described in the OBC and in Section 13 of this Report likewise observe and comply with the Regulations.
- 3.13 In electing to adopt a competitive dialogue procedure under the Regulations, the Council must be satisfied that one of the grounds for using that procedure apply; here the justification (under regulation 26) being that "the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them". Browne Jacobson confirm the availability of this justification in relation to the procurement and this is referred to again at paragraph 13.3 of the Report, together with further detail of the overall procurement strategy in that section 13.
- 3.14 Cabinet will be aware that to enable the SOC to be prepared, soft market testing took place with certain developers. Under the Regulations (regulation 40) market consultations "with a view to preparing the procurement and informing economic operators of their [the Council's] procurement plans and requirements" is permitted. The only caveat being that this must not "have the effect of distorting competition" or "result in a violation of the principles of non-discrimination and transparency". Accordingly, the procurement strategy and its implementation will ensure that no such distortion of competition or violation of procurement principles will occur; in particular by ensuring that all bidders have access to the same information and that the procurement process treats all bidders on an equal footing.

Section 123 Local Government act 1972

- 3.15 Local authorities are given powers under the Local Government Act 1972 (LGA) to dispose of land held by them 'in any manner they wish' (s123(1) LGA). The only constraint on this is imposed by s123(2) which states that the disposal must be for the best consideration reasonably obtainable unless the authority gets consent from the Secretary of State. A 'disposal' under s123 includes:
- Sale of the freehold interest;
 - Granting of a lease; and
 - Granting of an easement.
- 3.16 Case law confirms that the duty to obtain best consideration does not require that the authority must accept the highest offer it receives regardless of who makes it and when it is made R (Lidl (UK)) v Swale Borough Council [2001]. However, the proposed commercial terms for central Winchester regeneration will ensure that best consideration is achieved for land transferred to the developer, by reference to valuation assumptions that recognise the Council's

requirements and other factors (not least the planning permission granted). The development agreement will provide for land to only transfer on satisfaction of conditions and there is no provision for all land to transfer at day one; land will transfer in phases on satisfaction of conditions, including the agreed phase delivery plan and satisfaction of the s123 duty.

3.17 It should be noted that the duty to obtain best consideration does not mandate an authority to conduct a particular process, but rather for it to achieve a particular outcome. However, it is clear that process (such as independent valuation) will have an important evidential role in deciding whether an authority has complied with its duty. In *R v Darlington BC, ex parte Indescon Ltd [1990]* it was stated that the court was only likely to find a breach of s123(2) where an authority:

- had failed to take proper advice;
- failed to follow proper advice for reasons which cannot be justified; or
- had followed advice which was so plainly erroneous that in accepting it the authority must have known, or at least ought to have known, that it was acting unreasonably.

3.18 For that reason, all land transfers under the development agreement will take place on the basis of an assessment of land value and with the benefit of valuation advice at the time. Should it be appropriate to consider a transfer of land at less than best consideration (and then subject to further member decision) it would be possible for the Council to rely on the General Consent (Circular 06/03) or seek specific consent from the Secretary of State. The General Consent means that specific consent is not required for the disposal of any interest which:

- the authority considers will help it 'secure the promotion or improvement of the economic, social or environmental well-being of its area'; and
- has a value discrepancy (undervalue) of £2m or less.

Subsidy control

3.19 Browne Jacobson also confirms that the recommendations and their implementation give rise to no "Subsidy Control" concerns (i.e. former State aid), but that subsidy control will be kept under review and any further decisions sought where necessary. The OBC and related documents referred to in this cabinet report do not propose provision of any undertaking with an unlawful subsidy.

4 WORKFORCE IMPLICATIONS

4.1 The redevelopment of central Winchester is a considered, deliverable and realistic objective. The council has sufficient capacity with current staffing levels, together with existing specialist consultant support and this will continue to be monitored as the project progresses.

- 4.2 Work streams and required resource to get to the next stage, which is preparation of the Full Business Case, will include;
- a) Market launch and procurement of a development partner.
 - b) Appointment of a preferred developer.
 - c) Preparation of the Full Business case including further work on affordability, management arrangements for the delivery, and contract monitoring and governance.
- 4.3 The City Council governance follows best practise in line with Prince 2 methodology. The outline reporting structure, project roles and responsibilities is set out in the Management Case of the Outline Business Case appendix D).
- 4.4 A cross party Reference Group including external experts within relevant specialist fields has been set up to provide early and regular engagement throughout the project. The Open Forum remains as the primary method to update residents.
- 4.5 Clear governance arrangements that will remain in place throughout the life of the project will be incorporated in the terms and conditions of the development agreement. These are set out within the Commercial Case of the Outline Business Case.
- 4.6 The final programme, terms of reference, roles and responsibilities will be detailed further as part of the Full Business Case.

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 Current rental income from Council owned assets in Middle Brook Street, Kings Walk and the Bus Station (all within the CWR red line boundary) amounts to £540,000 pa. This income will be lost unless replaced by alternative income from the new development.

6 CONSULTATION AND COMMUNICATION

- 6.1 The CWR development proposals were approved at Cabinet on March 10th 2021, CAB3281 following an eight week consultation period.

- 6.2 The consultation period opened on 11 November 2020 and closed on 12 January 2021. Details of the consultation undertaken and feedback from the consultation were shared at Cabinet in March.
- 6.3 This 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.
- 6.4 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.
- 6.5 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. An Open Forum was held on 26 January 2021 to share with the public the initial feedback from the consultation.
- 6.6 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.
- 6.7 An Open Forum was 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.
- 6.8 The most recent Open Forum was held on 22 November 2021. This was attended by over 80 people and a number of questions were asked. Questions and responses included:
- 6.9 How are we ensuring the project aligns with both Movement Strategy and the Local Plan? Clear examples were given about how this is being achieved through close collaboration of teams working together across the Council and with Hampshire County Council.
- 6.10 What the figures included in the economic case are based on, as well as the rationale for the demand for the spaces proposed - and how robust are they? Explanation was offered about the methodology behind the figures and assumptions made, as well as the presence of the demographic likely to benefit from the development.
- 6.11 How we are reflecting the importance of climate change, in particular the importance of buses? Examples of how the scheme will improve the bus solution and increase capacity, based on best practice examples, were shared.

- 6.12 The greenhouse gas implications of the project versus leaving the site undeveloped. It was explained the process being followed at present is in line the Green Book guidance and that specific sustainability credentials will be rigorously assessed through the selection process.
- 6.13 The need for further consultation to be undertaken on the development brief appendix G. It was highlighted that the creation of the development brief has been undertaken in light of previous consultations on the SPD and the development proposals.
- 6.14 The importance of ensuring that the regeneration of the area remains the focus of the project. Reassurance was given that regenerating the site is fundamental to the vision of the project.
- 6.15 The importance of the public realm, and ensuring consistency with the SPD, and not allowing the site to be dominated by privately owned public space. The public realm strategy was discussed and it was explained this gives a clear direction of travel for the importance of the public realm and decisions on the detail of this will be made in due course.
- 6.16 How will project risks and resource requirements be borne as between the Council and developer? It was explained that the commercial terms will allocate roles and responsibilities between the parties from the outset based on who is best able to manage risks and provide resources.
- 6.17 Throughout the above consultation reference has been made to the current process being no different to that of the previous Silver Hill scheme. The process and decision before Members does differ and the recommendations request approval to initiate and undertake a regulated procurement process for the selection of a development partner on the commercial terms described in this Report. There will continue to be regular opportunities for public engagement and comment as the regeneration plans progress to enable wider views to be heard and considered.
- 6.18 The council hosted an Archaeology day on 6 October, offering local residents the chance to see some of the tools used in the investigations that have been undertaken far. Keith Wilkinson from ARCA, University of Winchester spoke to over 50 interested local residents on site during an informal drop-in session in the morning. This was followed by a presentation hosted online highlighting some of the findings so far, and a Q&A session with the Central Winchester Regeneration Archaeology Advisory Panel. The first meeting of the CWR Reference Group was held on 16 September, comprising experts and cross party representation to help inform the decision making process for the project.
- 6.19 The CWR Reference Group as outlined in CAB3303 was set up and has met 4 times in the period September to November 2021 to review documents and discuss progress. All comments made by the CWR Reference Group have

been considered and fed into the preparation of final documents and decisions.

6.20 Briefings have given to All Members to share the conclusions of the OBC and to update them on progress and next steps for the CWR project.

6.21 The report was considered at Scrutiny Committee on 6th December 2021 and the following points raised:

[]

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 final CWR development proposals will be devised within the policy framework set by the CWR SPD, Air Quality 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.. 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.

7.4 The council acknowledges that net zero carbon will incur costs but that the resulting uplift in values may compensate or even exceed the extra cost involved.

7.5 The ecological aspect of the central Winchester regeneration is an area that will require intense consideration to ensure that the necessary ecological report requirements for a planning permission decision to be made are in place.

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 and engagement with all relevant groups is a priority for this project.

- 8.2 Under s149 (1) of the Equality Act the Council must have due regard, in the exercise of its functions, to the need to: –
- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
 - advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them.
 - foster good relations between persons who share relevant protected characteristics and persons who do not share them.
- 8.3 The completed redevelopment should (being well designed and delivered) provide a positive benefit to all protected characteristic groups through improved design of buildings and public realm to increase legibility, accessibility and improve secured by design performance. By seeking to meet the Council's planning policy on affordable housing and criteria within the CWR SPD, then the needs of all characteristic groups will be better met through delivery of new, highly accessible, good quality housing, public realm and accessible links into the city centre.
- 8.4 The recommendations and proposed mitigations are to ensure:
- Housing strategy should seek to meet the Council's planning policy on affordable housing so as to benefit all characteristic groups.
 - Procure good design teams and ensure a focus on quality during delivery to ensure that new facilities are better than existing and make sure that future public realm is high quality.
- 8.5 Initial regard has been given to the council's duties under the Human Rights Act 1998, and the Equalities Act 2010 as set out above and detailed assessments will be undertaken if works progress.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 Having had regard to the Council's obligations under the Data Protection Act 2018 and General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.
- 9.2 Any data collected as a result of the procurement process, any event, consultation and engagement with the project will be held in accordance with the Data Protection Act 2018 and General Data Protection Regulations 2018.

10 RISK MANAGEMENT

The CWR risk register can be seen at appendix F which Members should review.

11 SUPPORTING INFORMATION:

- 11.1 Without doubt, the public 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, based on the SPD and with public views taken in to account, can be seen at appendix H. The proposals outline a mix of uses including residential, creative hub, independent retail and flexible office space, a cultural and heritage offer, hotel and exceptional public realm. Delivering the 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 were approved at Cabinet on March 10th and approval was given to work on and complete the Strategic Outline Case (SOC).
- 11.6 The SOC, which can be seen at appendix I, was completed and presented to Cabinet on the 21st July 2021. The document outlined the strategic aims for the project together with the options for delivery and the preferred way forward.

11.7 The SOC was approved at that Cabinet session and approval was given to proceed to progress the Outline Business Case (OBC). This has now been completed.

12 Outline Business Case

12.1 The OBC can be seen at appendix D and the following paragraphs set out the key aspects.

12.2 The Council is guided by the framework of the HM Treasury Green Book using the Five Case Model to identify best value for spending public sector money, taking in to account the direct and indirect benefits of the proposals.

12.3 The Business Case is developed incrementally and the process can be seen in the graphic below;

| 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 |

12.4 The OBC is stage 2 of the full business case process and builds on the conclusions of the SOC.

- 12.5 The conclusion from the SOC was that there is a strong case for bringing forward the regeneration of central Winchester and that the preferred delivery option is for a single development agreement with a chosen partner to deliver development across a defined site, including Kings Walk.
- 12.6 Following the decision at Cabinet in July not to retain Kings Walk, work has been carried out to look at impact of a new building on viability, phasing and affordability for the council.
- 12.7 The output from the OBC is to detail the proposed delivery strategy for the project, including;
- a) further development of the Economic Case with the analysis of the Benefit Cost Ratio,
 - b) the approach for procurement and key commercial principles
 - c) work on the financial case to further detail phasing, viability and affordability
- 12.8 The OBC is based on amended CWR Development Proposals.

Outline Business Case summary

Executive Summary;

- 12.9 Purpose;
- 12.10 The purpose of the OBC is to provide further analysis on the preferred delivery option agreed in the July 2021 SOC and support decision making on approval to initiate and undertake the procurement process.
- 12.11 The OBC aims to further assess the preferred option in the context of the expected economic benefits, viability and Council affordability to undertake a procurement process, and to put in place the necessary funding and management arrangements for successful scheme delivery. The OBC provides the structure for the preferred delivery option of a single development agreement using the following framework:
- a) Strategic case – to confirm that strategic objectives remain current and agreement to the recommended preferred option to achieve
 - b) Economic case – to determine that the proposal provides good public value for money through economic appraisals for quantitative and qualitative benefit assessment
 - c) Commercial case – to prepare for the potential deal structure by considering the delivery model options, commercial viability, procurement and engagement
 - d) Financial case – to ascertain the affordability and funding requirement

- e) Management case – to plan for successful delivery

12.12 Conclusion;

12.13 This OBC expands on the work undertaken at the SOC stage and examines all 5 elements following the Green Book approach being: Strategic, Economic, Commercial, Financial and Management cases. Such work undertaken by the CWR project team analyses: the potential strategic and economic benefits from implementing the proposed development; financial modelling to determine affordability; and to further expand on the proposed commercial approach and management of the development going forward.

12.14 This OBC concludes the following for each element of the Green Book approach:

- a) Strategic case – The Strategic Case identifies and documents the city need for homes for all, filling the current gap in affordable and flexible commercial space, and attracting and retaining the young and creative talent in the city. It demonstrates that the CWR site will deliver the Council's investment objectives whilst fulfilling the aspirations of the SPD.
- b) Economic case – The Economic case details the significant economic benefits to the Winchester economy from the development of the CWR site. Quantifiable benefits include additional employment opportunities, increased footfall and stimulation of the city's night-time economy. When coupled with the qualitative benefits it is clear the CWR development will have a lasting positive impact on the city.
- c) Commercial case – The Commercial case outlines the commercial arrangements and procurement approach to support the preferred delivery option, being a contractual agreement with a single development partner. This approach provides the Council with the necessary level of control over delivery in order to achieve its investment objectives. The procurement approach will ensure a competitive market process to secure a development partner that best meets the Council's requirements.
- d) Financial case – The Financial case demonstrates that there is a significant annual cost to the council for the proposed delivery option, caused by the loss of the income the council currently receives on its assets within the red line development area. However, this needs to be balanced against the wider economic benefits set out in the economic case. The ongoing revenue cost will need to be met from within existing budgets or by finding savings. Further work is recommended to address the affordability through the dialogue process with potential development partners.
- e) Management case – The Management case concludes that the redevelopment of Central Winchester is a considered, deliverable and

realistic objective. The responsibility for delivery of the CWR scheme will be with the Development Partner, and activities will be at the Development Partner's cost and risk. A risk register is in place to monitor business risks, service risks and external risks, and it is recommended that this risk register is built on further as the project progresses.

- 12.15 The full narrative can be seen in the OBC but the following paragraphs outline the key points from the document.

Strategic case:

- 12.16 The Strategic Case of the OBC builds on that of the SOC. It confirms that the regeneration of central Winchester brings forward proposals to meet the Council's strategic objectives through the development and regeneration of the Central Winchester Regeneration (CWR) defined area to deliver a vibrant, mixed use, pedestrian friendly quarter in line with the Central Winchester Regeneration Supplementary Planning Document (SPD) and support objectives of the Council Plan 2020 - 2025.
- 12.17 Also confirmed are the findings in the SOC. The key objectives from the relevant policies are highlighted and outlined 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. The OBC shows how development of the defined area will provide new creative spaces, revitalise others and forge something exceptional which serves the whole community in a balanced approach and creates an inspirational legacy.
- 12.18 The OBC also revisits and confirms the Investment Objectives identified in the SOC and also sets out again the case for change, highlighting the current situation in the area, the city needs and site constraints together with risks associated with the project.
- 12.19 **The Strategic Case identifies and documents the city need for homes for all, filling the current gap in affordable and flexible commercial space, and attracting and retaining the young and creative talent in the city. It demonstrates that the CWR site will deliver the Council's investment objectives whilst fulfilling the aspirations of the SPD.**

Economic case :

- 12.20 The Economic Case revisits the areas covered in the SOC, confirms the Critical Success Factors (CSFs) and recaps on the process of evaluating the

long list of options to arrive at the preferred delivery option. The preferred option is further explored in the Economic Case with an appraisal of the net present social value (NPSV) that could be gained from delivering the regeneration project.

- 12.21 The NPSV is calculated using a benefits cost ratio (BCR) analysis. This provides a means of calculating the positive economic return of the development to the Public Purse and to the Local Economy
- 12.22 The BCR of the socio-economic benefits of the proposed development of the CWR programme has been prepared. BCR is a ratio used to summarise the overall relationship between the relative costs and benefits of CWR. If a project has a BCR greater than 1, the project is expected to deliver a positive net present value to Council.
- 12.23 The BCR analysis has included:
- a) An assumption log of inputs that drive the cost benefit analysis for socio-economic benefit;
 - b) A cost benefit analysis, considering the 'deadweight' (do nothing / minimum) scenario, and the 'additionality' (incremental benefits), leakage, substitution, multiplier, and displacement of development;
 - c) The BCR result;
 - d) Sensitivity analysis and optimism bias to demonstrate impact of changes to cost inputs / benefit outputs.
- 12.24 The BCR takes in to account both quantitative and qualitative benefits and the tables in the following paragraphs show the analysis and findings as to the impact on both the local economy and the public purse.
- 12.25 Quantitative benefit analysis;
- 12.26 The CWR project team used the investment objectives as a basis for determining the key economic benefits themes for the development. Five key themes were identified where the benefit in financial terms may be quantified.
- 12.27 These five themes are:
- a) Employment opportunities; The new development will create additional workspaces and attract new businesses providing local residents with employment opportunities
 - b) Increased footfall to the area; A rejuvenated and vibrant CWR is likely to positively impact the number of visitors to the area, resulting in additional spend in the local economy

- c) Increase in Council income from new housing and businesses; The proposed housing and new business premises will positively contribute to increased Council Tax and Business Rates income
- d) Keeping residents local; The inclusion of housing in CWR as well as new job opportunities from the office, retail and cultural space will result in Winchester residents remaining local, positively impacting on commuting and sustainability
- e) Increase in overnight tourism; Creating a vibrant mixed use quarter and in particular the proposed hotel is expected to increase overnight tourism in Winchester which will lead to increased local economy spend

12.28 In calculating the benefits of the above, benchmarked data, local tourism data and a number of researched market reports have been used.

12.29 The categories of benefits included in this analysis are:

- a) Council tax receipts
- b) Increase in local spend due to increased footfall to the area
- c) Increase in local spend from new residents in the new build houses
- d) Increase in local spend from workers during the duration of the development
- e) Business rates through development of office and hotel buildings
- f) SDLT from the sale of new homes
- g) Increased local spend due to increase in overnight tourism/night life

12.30 The below table summarises the results of the BCR analysis, categorising the themes into two benefit types: Local Economy and Public Purse.

- a) Local Economy; benefits that will directly affect the local Winchester economy and potentially have a multiplier effect on the wider economy
- b) Public Purse; benefits generated that will directly benefit Council or the National Government by taxation of other means.

12.31 These two categories of benefits are combined to calculate the All Economy benefit highlighted in the BCR calculations.

12.32 The table below, using Office of National Statistics data, summarises the findings, full details can be seen in the OBC;

| Benefit Theme | Rationale | Local Economy Benefit | Public Purse Benefit | All Economy Benefit |
|------------------------------------|--|-----------------------|----------------------|---------------------|
| Increased employment | 300-400 new office, retail, hospitality jobs contributing Income Tax, National Insurance contributions and local economy spend | £83m | £39m | £122m |
| Increased footfall | The new development is expected to further increase day tourist footfall by 5% capturing additional local spend | £118m | | £118m |
| Increased overnight tourism | The new hotel will add additional capacity generating direct accommodation income and local economy spend | £45m | | £45m |
| New housing and businesses | The development will add new businesses and residences that will attract Council Tax, Business Rates and Stamp Duty receipts | | £9m | £9m |
| Reduced commuting | Proximity of offices and affordable homes will reduce commuting times for those residents | £2m | | £2m |
| | | £248m | £48m | £296m |

12.33 Qualitative benefit analysis;

12.34 In addition to the quantitative, there are a number of qualitative benefits. These include:

- a) Wellbeing of workers and residents; through the addition of exceptional public realm and increased pedestrianisation the physical and mental wellbeing of local workers and residents will increase. Physical wellbeing is achieved through the additional exercise benefits from the pedestrianised zone. The mental health improvements are derived from the benefits of being surrounded by plants, calming water features, natural lights and fresh air. Transport for London have developed a method to calculate the financial benefits of reduced vehicle accidents and deaths as a result of increased pedestrianisation, but currently there is insufficient evidence and associated data to apply the methodology for CWR.
- b) Increased land values for surrounding areas; the positive development of the site into a vibrant mixed-use quarter is expected to directly benefit the asset values of the surrounding areas. To quantify this benefit would be too speculative and the calculations have therefore focussed only on the development of the CWR site.
- c) Sustainable transportation benefits; changing to sustainable transport methods within the CWR development (particularly increased cycling and walking in the pedestrianised areas) will have both a financial and carbon reduction benefit to the Council, but it is not possible to reliably quantify this benefit. It remains considered that this will contribute to the Council's pledge to achieve carbon neutrality by 2024 and for the Winchester District to be carbon neutral by 2030.
- d) Future re-use and flexibility of the creative workplace units; quantifying the future re-use and flexibility of the creative workplace units will enable land owners, which include the developers and the Council, to ensure a quick change of tenancy when the new units become vacant. This ensures that economic benefit is continually generated throughout the life of the development. Flexibility of development will also

accommodate a change in use easier without the requirement for redevelopment, saving costs and reducing the embedded carbon impact.

- e) Contribution to retention of a younger generation; the provision of affordable housing, entrepreneurial workspaces and increase in available nightlife activities through the CWR development is expected to contribute positively towards the Council's objective to retain a younger generation, especially those that have graduated from the University of Winchester and other education institutions in the City. The financial benefit on the local economy outside of the elements already calculated has not been included in the analysis.

The table below summarises these findings;

| Benefit Theme | Rationale |
|--|--|
| Wellbeing of workers and residents | Exceptional public realm and increased pedestrianisation are expected to contribute to the physical and mental wellbeing of local workers and residents |
| Increased land values for surrounding areas | The positive development of the site into a vibrant mixed-use quarter is expected to directly benefit the asset values of the surrounding areas |
| Sustainable transportation benefits | Changing to sustainable transport methods within the CWR development (particularly increased cycling and walking in the pedestrianised areas) will have both a financial and carbon reduction benefit to the Council |
| Future re-use and flexibility of the creative workplace units | Quantifying the future re-use and flexibility of the creative workplace units will enable land owners, which include the developers and the Council, to ensure a quick change of tenancy when the new units become vacant |
| Contribution to retention of a younger generation | The provision of affordable housing, entrepreneurial workspaces and increase in available nightlife activities through the CWR development is expected to contribute positively towards the Council's objective to retain a younger generation |

12.35 The benefits are then divided by the Development Costs (estimated cost to complete the development) to determine the ratio.

12.36 The economic results of the BCR are shown in the table below which illustrates the benefits over a 15 year period;

| Summary | £'m |
|--|---------|
| Total value of benefits | £296.3m |
| Present value of All Economy Benefits | £215.5m |
| Present value of Public Purse Benefits | £35.0m |
| Present Value of Developer Costs | £80.5m |
| BCR for All Economy | 2.68 |
| BCR for Public Purse | 0.43 |

- 12.37 The base position, without any allowance for optimism bias, shows an illustrative All Economy Benefit of 2.68 to 0.29 on Public Purse benefit.
- 12.38 The implied assumption able to be made being that over the assumed 15 year period to 2035, in Present Value terms the regeneration programme will produce £2.68 of total economic benefit for every £1 spent by the developer – a favourable return.
- 12.39 Sensitivity analysis has been conducted to adjust for any optimism bias, mitigating the tendency to be over optimistic about the amount of benefit that will be generated from the development.
- 12.40 The outcomes have been adjusted for low (5%), medium (10%) and high (20%) optimism bias scenarios. This is because there can be a tendency to be over optimistic. Explicit adjustments have therefore been made to the estimates in order to account for this and the results are shown in the table below

| | Base | Low | Medium | High |
|--------------|------|------|--------|------|
| All Economy | 2.68 | 2.54 | 2.41 | 2.14 |
| Public Purse | 0.43 | 0.41 | 0.39 | 0.35 |

- 12.41 A BCR result of £1 and above reflects a positive return. Therefore, with an All Economy return of £2.68 the above analysis on CWR indicates a favourable return on the development.
- 12.42 **The Economic case details the significant economic benefits to the Winchester economy from the development of the CWR site. Quantifiable benefits include additional employment opportunities, increased footfall and stimulation of the city's night-time economy. When coupled with the qualitative benefits it is clear the CWR development will have a lasting positive impact on the city.**

Commercial case:

- 12.43 The SOC explored the options for delivery, arrived at a short list of two and then went on to identify the preferred delivery option of finding a development partner to deliver development of a defined area via a development agreement.
- 12.44 The Commercial Case section of the OBC outlines the commercial arrangements and procurement approach that will support the preferred delivery option outlined in the Economic Case.

- 12.45 The OBC provides a detailed consideration of the proposed deal structure, procurement method and contractual arrangement of the preferred delivery option.
- 12.46 The procurement approach will be designed to ensure that there is a robust, open, fair and transparent methodology for selection of bidders and the eventual award of the contract to the successful bidder.
- 12.47 Full details can be seen in section 12 of this report but key points are as follows:
- a) The opportunity will be the subject of a competitive process based on five key stages;
 - (i) Contract notice; Issue of the Contract notice to publish details of the opportunity to enable interested parties to express interest. On publication of the contract notice the procurement documents including the selection questionnaire and draft tender invitation documents, the draft development brief and the draft development agreement will also be made available to those considering expressing interest.
 - (ii) Selection Stage; interested developers will be required to submit a completed selection questionnaire (SQ) with supporting information in order for the council to select a shortlist to invite to tender.
 - (iii) Tender stage; a competitive dialogue procedure will be undertaken with a view to establishing the solution best suited to the Council's requirements as described via the SPD and Development Brief. Dialogue will enable the Council to conduct a staged process, so that bidders are able to refine and improve their proposals before making final submissions
 - (iv) Tender evaluation; final submissions will be evaluated and may involve fine tuning and clarification before reaching a decision on the preferred developer.
 - (v) Preferred Bidder: The successful bidder will be appointed, and then final steps taken to reach a contract close
- 12.48 The OBC outlines the key commercial principles that underpin the agreement that the council will enter into with the appointed developer. The agreement will;
- a) Regulate delivery of CWR and the relationship between the Council and the Developer;
 - b) Set out the core objectives of the Council for CWR and the obligations placed on each party;

- c) Enable decisions to be made throughout the term of Agreement;
- d) Determine outcomes, including the development outcomes and financial terms (e.g. land payments);
- e) Address exit strategy – both at the completion of the scheme and where an early termination maybe required.
- f) The key terms can be seen in the Key Commercial Principles document at appendix C but include the anticipated term of the agreement, obligations and objectives for both parties, financial and governance arrangements, change control, dispute arrangements and exit arrangements.

12.49 The Commercial case outlines the commercial arrangements and procurement approach that will support the preferred delivery option, a contractual agreement with a single development partner across the defined site. This was selected as the recommended route as it provides the Council with an acceptable level of control over delivery and timings whilst delivering on the investment objectives and critical success factors. The commercial process outlined will ensure that a competitive market process is undertaken to secure a development partner that best meets the Council's requirements.

Finance Case

- 12.50 The financial case explores the overall affordability of the preferred option for the Council and identifies the associated financial risks.
- 12.51 The financial analysis uses the residual land value as a measure and is based on the assumption that the council procures a development partner through a competitive tendering process as outlined above. A 12-month procurement process has been adopted to secure a development partner to bring forward the scheme by way of a development agreement with Council.
- 12.52 This route assumes that the development partner delivers the development proposal, followed by a phased draw-down of land in line with the updated CWR development proposals and analysis carried out to ascertain the residual land values for each phase.
- 12.53 At this stage, the analysis indicates that the first phase generates the largest capital receipt. It is anticipated that the later phases of the development would benefit from future uplift in values created by the regeneration and would be optimised at the point of delivery.
- 12.54 The finance case looks at the impact on the council's revenue budget of the preferred option over the life of the scheme. The analysis assesses the affordability of the preferred option to demonstrate;
 - a) A financial summary of the preferred approach

- b) Set out the value and timing of expected capital receipts
- c) The revenue consequences, including costs, income and forgone income
- d) The overall impact on the Council's financial position
- e) High-level sensitivity analysis

12.55 The analysis outlined above includes looking at the impact of capital receipts and their timing on the revenue budget; the effect on the Council's Capital Financing Requirement (CFR); and carries out sensitivity testing on the outcomes.

12.56 **The Financial case demonstrates that the proposed development delivers a capital receipt. The prudent approach to determining affordability reflects an ongoing, annual cost to the Council which will need to be met from within existing budgets or by finding savings. Further work on the affordability in the wider context of the Council's Medium Term Financial Strategy is required but it is not expected that the budget challenge will be insurmountable given the expectation that the preferred development partner will address the financial impact to the Council through a combination of value engineering, retaining elements of the Council's existing income stream and/or through securing additional grant funding. Further work is recommended to address the affordability through the dialogue process with potential development partners., This needs to be balanced against the wider economic benefits set out in the economic case.**

Management case;

12.57 This section of the OBC 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.

12.58 The redevelopment of central Winchester is a considered, deliverable and realistic objective taking in to account the key elements of vacant possession, planning and viability.

12.59 The project will be managed in accordance with the Council's major projects and programme management requirement of PRINCE 2 methodology. There is a programme plan overseen by the Head of Programme and project manager.

12.60 The council has a risk register that is monitored and updated as needed.

12.61 **The Management case concludes that the redevelopment of Central Winchester is a considered, deliverable and realistic objective. The responsibility for delivery of the CWR scheme will be with the**

Development Partner, and activities will be at the Development Partner's cost and risk. A risk register is in place to monitor business risks, service risks and external risks, and it is recommended that this risk register is built on further as details of the development agreement are finalised.

13 Procurement Approach

- 13.1 As approved at Cabinet in July 2021 (CAB3303), the decided approach is to procure a primary contract with a single development partner, for the defined central Winchester regeneration site, on the basis of a development agreement. This was Option 3.5 under the SOC and the benefits of that approach in comparison with other delivery solutions identified and considered.
- 13.2 To procure a development partner, the Council will follow prevailing procurement legislation. At the time of this report, the Public Contracts Regulations 2015 (PCR2015) are due to be replaced by primary legislation but that is unlikely to be before 2023. A working assumption, based on the current programme, would be for the procurement to be governed by PCR2015 and that once commenced it will remain so but nonetheless, the OBC describes the potential for the procurement to be governed by that new legislation. In the OBC, the possible introduction of the new procurement regime is referred to but any benefit in waiting for that to be introduced is outweighed by the disadvantage of delay.
- 13.3 The Council has assessed the procurement procedures available under PCR2015 and has deemed the Competitive Dialogue (CD) procedure the most appropriate for the CWR opportunity. The CD procedure may be used where "the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them".
- 13.4 In the case of CWR, whilst the Council's objectives are set out in the Development Brief (building on other documents, including the SPD), the exact means by which CWR is to be delivered and (for example) the phasing, cannot be specified. Through dialogue the Council may therefore engage with prospective Developer partners (i.e. the bidders) to "identify the solution or solutions which are capable of meeting its needs".
- 13.5 Through dialogue with bidders, the Council may better ensure that the appointed Developer has submitted proposals which align with the objectives of the Council and the requirements that will be set out in the Development Brief, including the key requirements.
- 13.6 A Restricted Procedure under PCR2015 would not allow for any degree of negotiation/dialogue and would therefore be wholly inappropriate. The Competitive Procedure with Negotiation allows for negotiation but is generally

used only where it may be feasible to make a contract award without any negotiation stage based on initial tenders made.

- 13.7 The developer market, whilst averse to protracted procurement under CD, are familiar with the procedure and will respond to the opportunity provided that the Council's overall approach is proportionate and that the tender requirements are not unduly onerous. Accordingly, the procurement strategy has been designed to avoid lengthy dialogue and will be streamlined, efficient and focussed. . In particular, the procurement approach (and the requirements of the tender stage) will not require bidders to produce designs. Instead, the procurement will establish the abilities of the appointed developer to work with the Council to deliver on the Development Brief and their approach. This is reflected in the recommended Stage 2 Evaluation Award Criteria and associated weightings as set out at Appendix B.
- 13.8 The 2015 Regulations lay down the process that the Council must follow and is tied to general principles, namely the Council shall "treat economic operators equally and without discrimination and shall act in a transparent and proportionate manner". There is also an obligation to treat bidders' proposals as confidential (where flagged as such) and the Council must observe that requirement.
- 13.9 The procurement approach has been designed to ensure that there is a robust methodology for selection of bidders and the eventual award of the contract to the successful bidder via the recommended Stage 2 Evaluation Award Criteria and weightings.
- 13.10 Due to the nature of this procurement, it would not be relevant or appropriate to assign a significant percentage of the evaluation award criteria purely to price as would be standard in a basic procurement exercise. The model proposed has been carefully considered to ensure delivery of the right Development Partner - based on their approach to working with the Council and ability to deliver against the Development Brief (and by extension the SPD). The Procurement is not therefore aimed at securing designs or detailed scheme proposals. Accordingly, the Council's standard evaluation model of 60% cost / 40% quality is not deemed to be appropriate and approval is sought for a departure from this to 30% Commercial / 70% Quality. This will better focus on the quality elements of the bidders' submissions and ensure that sufficient weight is attached to the quality-focussed evaluation criteria (including in relation to sustainability and public realm).

Via the Commercial section, bidders will be tested on their financial approach and assumptions via a 'base case' using the Development Proposal areas. It is important to note that the Commercial and Quality sections are inherently linked to ensure both viability and deliverability are realistic.

- 13.11 In completing the commercial section, bidders will provide a financial submission that captures their approach to development. It will include the costs and incomes for their solution as demonstrated through the case study

of the first phase of the scheme based on the development quantum set by the Council. This submission will demonstrate the different uses, costs and incomes relevant to each Bidders offer, as well as appropriate supporting evidenced that these assumptions are valid and deliverable. This submission will also capture key metrics that they will fix in the legal documents such as profit levels.

13.12 Through this approach, it is also important to note that the Commercial and Quality sections are inherently linked to ensure that relevant responses in different questions are captured in the commercial submission to ensure both viability and deliverability are realistic.

13.13 The opportunity will be the subject of a competitive process based on five key stages:

- a) **Published Contract Notice** – advertising the opportunity to the market and asking for expressions of interest via the Council’s e-procurement system.
- b) **Selection Stage** - Developers wishing to express interest will be required to submit a completed selection questionnaire (SQ). This is in a standard prescribed format, apart from the recommended Stage 1 Selection Questionnaire Suitability Technical Questions and associated weightings as set out at Appendix xx. .

In particular, prospective developer partners will be asked to put forward relevant case studies to illustrate their experience of carrying out projects of a similar nature. The questions being asked have been carefully drawn up to elicit experience of relevance to CWR and the investment/strategic objectives. The Project Team have engaged internally with Officers and with Cabinet and the CWR Reference Group on the questions and associated weightings for the SQ questions.

Based on the submitted SQs, an evaluation based on the criteria and method set out in the published SQ will be undertaken in order to shortlist bidders.

- c) **Tender stage** – In accordance with PCR2015, a competitive dialogue will be undertaken with a view to establishing the solution best suited to the Council’s requirements (as described via the Development Brief). The Invitation to Tender will set out the form of the required submission (i.e. tender) and the evaluation criteria and evaluation methodology of the Council. The draft Tender Evaluation Criteria and associated weightings can be seen at Appendix B. The criteria and weightings have been carefully considered and designed to ensure that proper weighting is given to financial and quality factors and to the key investment objectives, by reference to the SPD and Development Brief. As with the SQ questions, the Project Team have engaged internally with Officers and with Cabinet, and the CWR Reference Group on the

questions and associated weightings for the tender evaluation questions and weightings.

Dialogue will enable the Council to conduct a staged process, so that bidders are able to refine and improve their proposals before making final submissions.

- d) **Tender evaluation** - The final submissions will be evaluated against the evaluation criteria set out at Appendix B and as permitted by PCR2015, may involve fine tuning and clarification before reaching a decision on the preferred Developer. The preferred Developer will be that that scores the highest overall.
- e) **Preferred Bidder** - The successful bidder will be appointed, and then final steps taken to reach a contract close (i.e. signing of the development agreement (“the Agreement)).

13.14 The key documents at commencement of in the procurement process will be:

- a) Selection Questionnaire (SQ) Stage 1 – this includes the Technical Questions (Stage 1 Selection Questionnaire Suitability Technical Questions and associated weightings) - looking at financial standing, previous experience, resources and overall suitability.
- b) Draft Invitation to Tender Stage 2 – this includes the Tender Evaluation Criteria and associated weightings focussed on how potential partners would propose to work with WCC and deliver to the Development Brief (the criteria and weightings cannot be changed after publication).
- c) Development Brief – confirming and setting out the Council’s requirements.
- d) Commercial principles - setting out the key elements of the Development Agreement and commercial position taken by the Council.
- e) Development Agreement – being the terms of contract between the Council and developer (being in draft form to allow for bidders to reasonably propose amendments or add value).

Next steps

13.15 Subject to Cabinet approval, the next steps will be for the report to be debated at Full Council on 12th January when approval will be sought to proceed with the procurement of a development partner as outlined in this report.

13.16 Should approval be given in January, the officer team will prepare the documents for publication and commence the procurement process shortly after with publication of the contract notice.

- 13.17 The selection stage of the procurement process is expected to take 3 months after which the shortlisted bidders will enter the dialogue stage.
- 13.18 The dialogue stage is expected to take 6 months after which the final tenders will be evaluated
- 13.19 When the preferred bidder has been identified through the evaluation process and the full business case completed on the proposals contained in the final bid, a report will be brought back to Cabinet for approval to enter in to the development agreement. This is likely to be in early 2023.

14 OTHER OPTIONS CONSIDERED AND REJECTED

- 14.1 Other options for delivery of the Central Winchester Regeneration project were explored through preparation and completion of the Strategic Outline Business case. These options ranged from the council developing and delivering the scheme directly to the council acting as master developer right through to selling the site for a third party to bring forward in line with the SPD guidance.
- 14.2 These options were evaluated and two shortlisted options were identified;
- a) The council would retain Kings Walk and deliver to deliver the creative hub with a development partner delivering the remainder of the council owned land
 - b) A development partner to deliver the council owned land, including a new building at Kings Walk.
- 14.3 The preferred option was identified as being to find a development partner to deliver a scheme to regenerate the council owned land including Kings Walk and all other options were rejected.
- 14.4 This approach was approved at Cabinet in July 2021.
- 14.5 At this stage, there is still the option not to progress to the procurement stage and;
- a) Revisit justification and objectives for the project
 - b) Do nothing and continue with the current arrangements
- 14.6 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.

- 14.7 The OBC concludes that by delivering a development in line with the SPD and the CWR development proposals, there would be a positive, long lasting benefit to the wider economy and work to build a strong and resilient economy.
- 14.8 The option to do nothing and revisit objectives for the site 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

CAB3303 CWR Strategic Outline Business Case – July 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 Draft Stage 1 Selection Questionnaire Suitability Technical Questions

Appendix B Draft Stage 2 Evaluation Award Criteria

Appendix C Draft Commercial Principles Paper

Appendix D Draft Outline Business Case

Appendix E Draft Outline Business Case Exempt Appendices [Exempt]

Appendix F CWR Risk Register

Appendix G Draft CWR Development Brief

Appendix H CWR Development Proposals

Appendix I Strategic Outline Case