

REPORT TITLE: CENTRAL WINCHESTER REGENERATION - OUTLINE
BUSINESS CASE

22ND 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.

The CWR Development Proposals, based on the guidance of the CWR Supplementary Planning Document (SPD), can be seen at Appendix H. The proposals illustrate how the area can be transformed into a vibrant and creative quarter which includes creative and cultural space, a hotel, residential units and exemplary public realm and open spaces. Following approval of the CWR Development Proposals at Cabinet on 10 March 2021 (CAB3281), Cabinet approved the Strategic Outline Case on 21 July 2021 (CAB3303) and that preparation of the outline business case and that preparation of the necessary procurement documents could commence. These documents would provide the framework for the procurement of a single development partner for the proposed development site (the Defined Site), located within the CWR Supplementary Planning Document red line area (CWR SPD area).

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. The report sets out and recommends the procurement process to source a development

partner and sets out the key commercial principles that the council will apply during the procurement process.

RECOMMENDATIONS:

That Cabinet;

1. Approves and adopts the Outline Business Case set out at Appendix D and Exempt Appendix E and notes that a Full Business Case will be presented to Cabinet for approval 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 Full 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 Outline Business Case and the Commercial Principles Paper set out at Appendix C and in particular to note the Central Winchester Regeneration procurement will be on the basis of a single developer delivering the scheme under a development agreement as decided at CAB3303.
6. Delegates 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, approve and take forward short listed bidders. At the conclusion of the procurement process Cabinet approval will be sought for the appointment of the preferred development partner.
7. Approve expenditure of £733,000 from the remaining £1.085m budget

allocated to the Central Winchester Regeneration 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

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.

1.1 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 emissions. We will be working with partners to ensure that development in the Central Winchester Regeneration (CWR) area is undertaken sustainably. The proposed development would align to this ambition.

1.2 Homes for all

Development on the site will provide for residential units aimed at 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.

1.3 Vibrant local economy

The CWR development proposals incorporate the objectives and guidance set out within the Central Winchester Regeneration Supplementary Planning Document (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 Development 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

1.4 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.

1.5 Your services, your voice

Public views have been taken into account through the adoption of the Central Winchester Regeneration Supplementary Planning Document (CWR SPD) 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 has previously approved revenue expenditure of £2.218m. This includes £915,000 that has been spent from the additional provisional sum of £2m approved as part of the general fund budget in February 2021. 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
£1,460,569	£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

<p>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.</p>	<p>This includes fees for essential works to Coitbury House and Kings Walk, and survey work for Friarsgate Medical Centre.</p>	<p>This includes outstanding works to Coitbury House, demolition of the Friarsgate Medical Centre and replacement interim public space. Immediate short term improvement works to the ground floor of Kings Walk and surrounding public realm.</p>
---	--	--

- 2.4 Included in the revenue expenditure detailed above is £986,600 of work commissioned from JLL and ARUP in their roles as key advisors to the CWR project. 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, land value calculations and preparation of the Strategic Outline Case and Outline Business Case. In addition to JLL and Arup, specialist legal and financial advice has been taken throughout the process through the appointment of Browne Jacobson and 31ten Consulting.
- 2.5 All spend over £500 is published on the council's website in accordance with the council's transparency responsibilities.
- 2.6 An initial review has been undertaken to ascertain the likely revenue budget 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:
 - b) Preparation of the Full Business Case
 - c) Market engagement and running the procurement process
 - d) Concluding the development agreement with the selected development partner
- 2.7 The financial Implications of the Outline Business Case are set out in Exempt Appendix E which sets out the proposal is commercially viable. However, the council will need to consider the loss of income generated from the Defined Site. Similarly the council will need to be cognisant of the financing costs relating to land assembly in recent years.
- 2.8 The land assembly costs since 2014 have totalled £15m and included the acquisition of the Friarsgate Medical Centre, the Bus Station and the Kings

Walk/Middle Brook St properties. £4.1m of this was financed from capital receipts and the remainder was funded by 'internal borrowing' from the council's own cash balances. The financing costs for the £10.9m borrowing are met from the income generated from the assets. That income will be lost to the council when assets are transferred to the development.

- 2.9 The net revenue impact on the Council's General Fund of the loss of income amounts to £669,000 per annum. This does not take account of additional council tax or given the uncertainties on future business rates retention; any business rate income that the site will generate which will directly fund additional services to residents and businesses in the development.
- 2.10 The procurement process requires the bidders to make proposals as to how they will address the impact on the council's revenue, 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. It could be that adjustments to the development quantum is proposed by the bidders although any such proposal would have to remain within the CWR SPD ranges.
- 2.11 The details of how the development partner can address the above revenue impacts will form an important part of the procurement and the Full Business Case. At that stage, the council will need to determine whether the final proposals are acceptable and affordable and whether any residual costs can be absorbed within the council's medium term financial strategy.
- 2.12 The Financial Case makes no assumptions of grant funding from any external sources or additional contributions from the council's Community Infrastructure Levy (CIL) funds, both of which provide scope to improve the overall affordability of the development.
- 2.13 There are a number of grant opportunities currently for regeneration, infrastructure and affordable housing projects. However, all require worked up detailed proposals and near "shovel ready" projects with clear delivery timetables. Scope for grant funding to address the revenue impact of the development and the financing costs of land assembly will be included in the Full Business Case.
- 2.14 Report CAB3292 March 2021 included a proposed CIL allocation of £2m towards the infrastructure costs of the CWR development. The council currently has CIL balances totalling £13.4m, £6m of which has been generated from development in Winchester. £7m of this reserve is unallocated and this sum will increase annually (the CWR development will generate in the region of £1.5m CIL receipts alone). The objective to deliver exceptional public realm and the infrastructure costs associated with complying with the CWR SPD will have a direct and significant impact on scheme values and viability. Whilst a formal bid for CIL funding and outcome of the bid will only be possible once full details of the final scheme are known, it is considered appropriate to reserve up to £4m of CIL funding to support the delivery of the CWR SPD. Further information on this will be included within

the next CIL Update report to Cabinet. Ultimately, the level of CIL allocation required to support the delivery of the CWR SPD will be less if the Council or development partner is able to secure alternative infrastructure funding.

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 Outline Business Case (OBC). Legal implications are addressed under the following headings.

Local Authority 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 Council has powers under section 9 the Housing Act 1985 to provide housing accommodation including by the disposal of land to a person who intends to provide housing accommodation on it. The council also has the power under section 123 of the Local Government Act 1972 to dispose of land held by it in any manner it wishes, but shall not dispose of land under that section for a consideration less than the best that can reasonably be obtained without the consent of the Secretary of State. The Secretary of State’s general consents are set out in the Local Government Act 1972 General Disposal Consent (England) 2003, under which disposal of land for less than the best consideration that can reasonably be obtained is permitted when the local authority considers that the purpose of the disposal is likely to contribute towards the promotion or improvement of economic, social or environmental well-being in respect of the whole or any part of its area or of all or any persons resident or present in its area, up to a maximum discount of £2,000,000.
- 3.4 The general power of competence referred to above 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 area are described in this report and its main purpose is not investment within the meaning of section 12 of the Local Government Act 2003. The purpose is the advancement of the regeneration of the city, which

is a long-term public benefit. 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 is within the powers of the council.

Exercise of Local Authority 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 This report also sets out the results of engagement at Section 6 that has taken place since Cabinet's approval of the Strategic Outline Case (SOC) on 21 July 2021 section 6 and to which Cabinet should have regard.
- 3.9 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 measures 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.
- 3.10 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 its previous consideration and decision on that issue in relation to the approval of the SOC.

Procurement

- 3.11 Full detail of the procurement approach is set out in section 13 and, 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.
- 3.12 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.

- 3.13 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 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 complies with the Regulations.
- 3.14 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 applies; 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 this report, together with further detail of the overall procurement strategy in that section 13.
- 3.15 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.
- 3.16 The SOC recognised that a land disposal route would mean losing some control over how the site is developed. The options of setting up a 50/50 corporate joint venture or the council acting as master developer were also considered but discounted. The conclusion was that securing a single developer had advantages over delivery through multiple developers for the red line site area. The single developer route will provide the council with sufficient control over delivery, in particular through incremental phased delivery. The OBC and Commercial Principles Paper describe the recommended commercial approach, alternative approaches considered to be unsuitable and consequently not recommended, being in summary:
- a) A development agreement with limited council control, other than through the council's planning powers. This approach, whilst allowing a developer maximum flexibility and therefore attractive to the market, would risk a failure to ensure that core SPD objectives are met for CWR and would not enable the council to have any rights over design, phasing, and delivery;
 - b) A development agreement that has some limited rights for the council to review and comment, but without having an ability to control key features of the development via the development agreement and development

brief. Although attractive to the market, this approach would also fail to achieve the sufficient degree of control and CWR SPD objectives delivery which the council is seeking; and

- c) A development agreement with total control vested in the council over all aspects of design, phasing and delivery of CWR. This approach would go further than the level of control envisaged by the agreed approach under the Strategic Outline Case (see paragraph 13.1), would deter market interest and transfer development risk to the council from the developer.

Consideration of Compulsory Purchase Order

- 3.17 The use of a public authorities compulsory purchase powers enables acquisition of third party interests in land compulsorily where the relevant statutory tests are met, and must be progressed concurrently with a strategy to acquire the land voluntarily. Compulsory purchase order powers should be used only where it is expedient to do so, and only be made and confirmed by Cabinet where there is a compelling case in the public interest. Section 226 of the Town & Country Planning Act 1990 empowers the council to acquire land compulsorily in order to deliver the proper planning of the area, subject to the council being satisfied that it thinks the proposed scheme will deliver economic, social or environmental wellbeing benefits to the community.
- 3.18 As a safeguard to the council, it is proposed that the development agreement include a template compulsory purchase order indemnity agreement. The purpose of such inclusion is to alert a potential development partner that should the necessity arise that they are expected to provide an indemnity to the council in relation to the costs associated with the use of such powers, should these be required over third party land, and the council consider the relevant tests to be met. The indemnity protects the council, for example, against provision of all land acquisition costs which must be held by the council prior to issue of first notice of an intended acquisition.
- 3.19 The CWR SPD states at paragraph 3.11.3 that it envisages that there will be no requirement for a CPO with regard to delivery of the site. The circumstances where the council would envisage use of the powers are for example a statutory undertaker who refuses to part with a small strip of land which is integral to the development proposal. It is considered that the use of a compulsory purchase order to enable development over an interest of that nature, in a manner correctly intended by Parliament, would not result in a departure from the CWR SPD.

Section 123 of the Local Government Act 1972

- 3.20 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). Constraint on this is imposed by s123(2) which states that the disposal must be for the best consideration reasonably obtainable unless the authority has consent from the Secretary of State. A 'disposal' under s123 includes:

- a) Sale of the freehold interest;
 - b) Granting of a lease; and
 - c) Granting of an easement.
- 3.21 The proposed commercial terms for the Central Winchester Regeneration will ensure that the best consideration (reasonably obtainable) is achieved for land transferred to the developer (whether under a lease or by sale). The development agreement will provide for land to only transfer on satisfaction of conditions land will transfer in phases on satisfaction of conditions, including the agreed phase delivery plan and satisfaction of the s123 duty.
- 3.22 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 the best consideration reasonably attainable (subject to further Member decision) it would be possible for the council to rely on the Local Government Act 1972 General Disposal Consent (England) 2003 or seek specific consent from the Secretary of State (see paragraph 3.3 above).

Subsidy control

- 3.23 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 report does not involve the 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. As indicated in cabinet report CAB3318, pressures on council teams in relation to progressing significant regeneration work (progressing central Winchester and other regeneration feasibility work, etc) will require additional short term resources (£0.4m in 2021/22 and £0.6m in 2022/23).
- 4.2 Work streams and required resource to get to the next stage, which is preparation of the Full Business Case 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 council governance follows best practise in line with Prince 2 methodology. The outline reporting structure, project roles and responsibilities are set out in the Management Case of the Outline Business Case Appendix D.
- 4.4 This internal governance is supported by 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 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, has already decided that the typologies of mixed uses proposed will afford a greater community benefit than a purely commercially-led scheme.
- 5.3 Current net rental income from Council owned assets (including car parking income) in Middle Brook Street (properties), Kings Walk and the Bus Station (all within the DA defined site) amounts to £669,000 pa. This income will be lost unless replaced by alternative income from the new development.
- 5.4 No decision has been made regarding the future ownership of land as this is a key element which will be considered during the procurement process, and for each phase brought forward by the Developer. Leasehold transfer is the council's preferred operating model and default position as it brings the benefit of long term income but the developer may propose a different model including leasehold or freehold disposal. This may vary across phases and will be carefully considered in order that land issues over the 'whole site' can be properly managed. Particular mention has been made of management of public realm and at all times full access across the site will be maintained.
- 5.5 The process for the transfer of the land will be such that it may transfer freehold or leasehold (or freehold by agreement) to the Developer, or may

entail transfer or lease direct to third parties where that is consistent with the phase in question (and agreed Development Phase Plan).

6 CONSULTATION AND ENGAGEMENT

Consultation prior to 21 July 2021

- 6.1 Following an 18 month public engagement, a statutory consultation was undertaken on the draft Central Winchester Regeneration (CWR) Supplementary Planning Document (SPD) from 11 December 2017 and to 5 February 2018. The CWR SPD was adopted 20 June 2018 by Cabinet.
- 6.2 An Open Forum was held on 24 September 2019 to update members of the public and stakeholders on the status of the Central Winchester Regeneration Project. At the Open Forum,
- a) The council's newly appointed Strategic Advisors were introduced and information given on the work carried out on the Competitive Positioning Report. The opportunity to meet the needs of the younger generation and enhance the offer for overnight visitors through the CWR project was highlighted as a key focus for the CWR project.
 - b) Proposals for the refurbishment of Coitbury House were shared and comments noted. This project was later put on hold and no action has been taken.
 - c) Proposals for the transformation of the public realm at the lower section of the High Street and Broadway were presented and comments noted. Views were incorporated, particularly around the use of water and reducing traffic on the Broadway, when the proposals were finalised.
- 6.3 Based on the adopted CWR SPD, work was undertaken to explore development options for the CWR area and 3 scenarios were presented to stakeholders and the public at an Open Forum Event 17 February 2020. Feedback from these events was shared with the Open Forum Panel and set out in the Cabinet Member Decision Day on 10 March 2020 and considered in the preparation of the draft development proposals for the regeneration area.
- 6.4 During the period March 2020 to October 2020, a number of stakeholder engagement events were held which included working with the community 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.
- 6.5 Consultation was undertaken on the draft CWR development proposals from 11 November 2020 to 12 January 2021. Due to COVID 19 restrictions, this was carried out virtually and via social media. All information was available via a virtual exhibition room which provided access to the formal feedback forms

on CitizenSpace. Regular posts were sent out on social media and feedback captured.

- 6.6 Following the consultation an Open Forum was held on 26 January 2021 to share with the public including stakeholders the initial feedback from the consultation. Details of the consultation undertaken and feedback from the consultation were then shared at Cabinet in March 2021 and are set out in CAB3281.
- 6.7 An internal briefing was held with all Members to share the conclusions of the SOC and preferred way forward on Monday 5 July 2021 in advance of the Open Forum to update them on progress and next steps for the CWR project. Any comments were where appropriate taken into consideration moving forward.
- 6.8 An Open Forum was held on 5 July 2021 to share with the public including stakeholders, the conclusions of the SOC and the proposed next steps for the project. The Open Forum was attended by over 90 people.

Engagement since 21 July 2021

- 6.9 Internal briefings were held with all Members week commencing 15th November to share the conclusions of the OBC and preferred way forward ahead of the Open Forum on Monday 22nd November. Key topics raised at the member sessions were;
- a) Greater understanding as to what the proposals include is needed
 - b) Greater clarity around phasing is needed
 - c) Greater clarity of benefits for older generations
 - d) Better explanation as to implications of net zero carbon development
- 6.10 The points raised at group briefings have been addressed in this report.
- 6.11 The Open Forum was held on 22 November 2021 attended by over 80 people and responses to queries included:
- 6.12 How are we ensuring that the project aligns with both the 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. For example, officers are working with the Winchester Movement Strategy team and have published a joint statement, with Hampshire County Council, on our approach to the Winchester Movement Strategy.
- 6.13 What are the figures included in the Economic Case based on, as well as the rationale for the demand for the spaces proposed - and how robust are they?

Explanation was provided about the methodology behind the figures and assumptions made, as well as the presence of the demographic likely to benefit from the development. The rationale is set out as part of the Economic Case in the OBC at section 3 and Appendix E – BCR Assumptions Research Sources.

- 6.14 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. In particular, Bath was referred to as an example which specifically illustrates an integrated bus and rail solution that works well.

- 6.15 The greenhouse gas implications of the project versus leaving the site undeveloped

It was explained that the process being followed is in line the Green Book guidance and that specific sustainability credentials and the bidder proposals will be rigorously assessed through the selection and tender process. This is reflected in the Stage 1 Selection Questionnaire Suitability Technical Questions at Appendix A and the Stage 2 Evaluation Award Criteria and associated weightings at Appendix B.

- 6.16 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 CWR SPD and the development proposals.

- 6.17 The importance of ensuring that the regeneration of the area remains the focus of the project.

Explanation was provided that regenerating the site is fundamental to the vision of the project.

- 6.18 The importance of the public realm, and ensuring consistency with the CWR SPD, and not allowing the site to be dominated by privately owned public space.

The public realm strategy was discussed and it was explained that this gives a clear direction of travel emphasising the importance of the public realm and decisions on the detail of this will be made in due course. The importance of public realm and ensuring consistency with the CWR SPD is reflected in the Stage 1 Selection Questionnaire Suitability Technical Questions at Appendix A and the Stage 2 Evaluation Award Criteria and associated weightings at Appendix B.

- 6.19 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.

- 6.20 Throughout the above consultation reference has been made to the current process being no different to that of the previous Silver Hill scheme.
- 6.21 The process for appointing a developer does differ in a number of respects from the previous Silver Hill scheme and there are important changes in overall approach which includes: a portion of the CWR SPD site area is being brought forward, ownership of the Defined Site is in control of the city council, the CWR SPD is in place which has been through extensive public consultation and sets the guidelines as to how development is to be brought forward and there is to be a statutory procurement process as described below.
- 6.22 The recommendations request approval to initiate and undertake a regulated procurement process for the selection of a development partner which follows the statutory criteria on the commercial terms described in this report. In the previous scheme there was no competitive process to appoint the developer, the developer changed hands and the development agreement was varied on three occasions (from signing in 2009 through to 2014). The procurement approach proposed will be fundamentally different particularly in respect of there being a competitive process.
- 6.23 Insolvency, abandonment and ceasing trading will be default events that entitle the council to terminate the agreement. The council will owe no liability to the developer and will be able to either agree an assignment to another developer (on the same terms) or re-procure. Land not yet transferred will remain in the council's ownership and any land under development (where land has transferred following the satisfaction of conditions by the developer) will be subject to rights of step-in (to complete). A third party funder may enjoy prior rights to step-in.
- 6.24 Particular mention was made of the importance of archaeology at the Scrutiny Committee and this is well recognised within the project.
- 6.25 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 thus 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. Following the discussion and recommendation of the panel, an archaeology statement has been drafted that outlines the councils expectations to potential developers as

to how archaeology is to be approached and this forms appendix 9.7 to the Development Brief.

- 6.26 The CWR Reference Group as outlined in CAB3303 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 where appropriate fed into the preparation of final documents and decisions.

Consideration by the Scrutiny Committee 6 December 2021

- 6.27 The draft Cabinet report and associated appendices were considered at a special single issue meeting of the council's Scrutiny Committee on 6 December 2021. The draft minutes from the meeting can be seen at Appendix J.
- 6.28 A summary presentation of the CWR project was provided by the Head of Programme and members of the committee raised questions throughout the meeting that were addressed by the Head of Programme, the Strategic Director, the Cabinet Member and the council's external advisors. In summing up the Chair of the Committee proposed the following points be forwarded to the Cabinet for consideration and are show at Appendix J. The points have been grouped so similar issues are set out together and are not set out in the order they were raised at committee. These points have been considered, with responses set out below and any updates to documentation highlighted.
- 6.29 **Additional narrative is required i.e. to demonstrate the bigger picture, how did we get here, where are we going?**

Additional narrative to highlight the progress of the project from the adoption of the CWR SPD in June 2018 has been added to section 11 of this report, Supporting Information. Section 14 of this report, Onward Timetable now contains information on the anticipated time line and process following Full Council in January 2022.

No change in documentation proposed

- 6.30 **How does the council hold the developer to account and ensure they deliver the whole development and not cherry pick the most valuable bits and leave the rest?**

The Development Agreement will contain an obligation that the developer procures the carrying out and completion of the development in accordance with the Development Brief. This obligation will be met by reference to their Delivery Plan which will recognise phased delivery (and then by way of plans for each phase that are approved by the council). Therefore the phasing will not be a matter entirely for the developer to determine and if they abandon the development, that will be a default triggering a right to terminate and for the council to recover its costs by way of indemnity. The development will be

phased and the draw-down of land by the developer will only occur on prior satisfaction of certain conditions by the developer.

No change to documentation proposed

6.31 Freehold vs leasehold – can this be reworded to be clearer.

This point has been further addressed in paragraph 5.4 of this report and in amendments to the Key Commercial Principles paper, paragraph 11.3 at Appendix C.

Key commercial principles updated

6.32 Consider removing use of compulsory purchase order powers.

The legislative background and consideration of the use of compulsory purchase order powers and the envisaged circumstances has been addressed in paragraphs 3.17, 3.18 and 3.19 of this report.

No change in documentation

6.33 Reference of archaeology statement and whether the wording can be improved to make it clearer. Archaeology report to be appended to Cabinet report

The council is currently undertaking a geoarchaeological borehole survey with 2021 findings showing that there is a considerable depth of archaeological deposits which are likely to be well preserved. The appointed development partner will be required through the development agreement to ensure a robust approach is undertaken to the treatment of archaeology with the objective to mitigate the impact of development on archaeology. The Local Planning Authority (LPA) will agree with the appointed development partner the scope and detail of the final archaeological requirements.

The council has prepared an archaeology statement with input from the CWR Archaeology Panel which sets out what is expected with regard to the approach to archaeology on the Defined Site. This statement forms appendix 9.7 of the Development Brief and the brief can be seen at Appendix G of this report.

Should the archaeological requirements result in costs that render the development proposals unviable, the appointed development partner, in discussions with the LPA, will need to agree and adopt the appropriate mitigation measures as outlined in the technical guidance through the planning process.

Development Brief updated

6.34 Review risk register, developer goes bust, partial development, legal challenge, big archaeological challenge

The importance of archaeology is well recognised and paragraph 6.33 of this report has been added.

Addressed in the risk register at Appendix F

6.35 Review what the phases are called to avoid confusion - clarify please. Clarify phases for whole site of phasing in defined site financials

There was considerable debate at the Scrutiny Committee which usefully set out that the phasing descriptions were not wholly clear due to similar descriptions being set out against the CWR SPD site and Defined Site.

This has been addressed in OBC Appendix D – Phasing Options. The phasing accords with the phasing adopted in the Financial case calculations.

Outline Business Case updated

6.36 Repayment costs, confirmation required that no borrowing requirement to fund CWR

Additional commentary regarding the land assembly costs and how they were financed have been included in section 2. An illustration of the potential impact of “gap funding” has also been included in the Exempt Appendix E.

No change in documentation proposed

6.37 The absolute adherence to carbon neutrality plans should be firmed up in some of the descriptions

The Development Brief has been reviewed which clearly sets out expectations that a development partner is expected to adhere to the council’s Carbon Neutrality Action Plan.

Regarding the revenue implications, it is widely understood that delivering net-zero carbon development and best in class sustainability can result in higher development costs. There is also a growing evidence base to demonstrate that occupiers and residents will pay more for sustainable space. Therefore an increase in build costs associated with sustainability measures should also be coupled with an increase in the values or rents achieved for the built product.

No change to documentation proposed

6.38 Please re look at the questions to ensure they are focused on the people who delivered the relevant example rather than the company.

The questions in stage 1 Selection Questions have been reviewed. The important point is that the track record and experience of the potential development partner is evaluated because it is important to understand the capability of the wider company resources. But at Stage 2 (i.e. tender stage) bidders are required to identify their core team (and the individuals) and have been asked to submit CVs in order to assist with an understanding and

evaluation of competence and expertise. Terms will be included in the development agreement to tie that core team into delivery.

No change to documentation proposed

6.39 **“Design” is imperative, consider reviewing the 1,000 - word count to enable better demonstration**

Bidders are required to provide responses to the questions set out in the Selection Questionnaire and ITPD within set word limits. The word limits, which have been set for each section, have been carefully considered by the project team through reference to the weighting applied to each section and the number of minimum requirements bidders are required to respond to. Word limits have been set to ensure that bidders provide concise and purposeful answers which directly address the questions whilst referring to case studies to further support their responses where appropriate.

No change to documentation proposed

6.40 **Capital - the evaluation of financial standing will be assessed elsewhere – could we have clarification.**

The evaluation criteria for the financial standing of bidders are set out in Part B of the Stage 1 Selection Stage Questionnaire (Appendix 1). Applicants are required to provide two years’ accounts and the evaluation approach is addressed in paragraph 13.15 of this report.

No change to the documentation proposed

Additional explanation in para 13.15

6.41 **How will we ensure we look for local people to be involved in the development?**

The Stage 2 Evaluation Criteria, set out in Appendix B has been reviewed and appropriate text has been added to address this point. Bidders will be asked to articulate how their procurement approach would support the local economy.

Evaluation Criteria updated

6.42 **Clarify how we would engage as part of the procurement process**

The council’s process of procurement is set out in Section 13 of this report with additional commentary set out in Section 3: Legal and Procurement Implications. However, it is important that the process of procurement is understood and where possible local residents are informed, this is addressed in Section 14 of this report, Onward Timetable.

6.43 **Page 129 - use the posts rather than names of staff**

This has been addressed in the Management Case of the OBC, Appendix D.

Outline Business Case updated

- 6.44 **Appendix G - ref the sources in the business case - what are the assumptions and sources as referenced in the economic business case - please check. Economic Case – Background sources not listed**

This has been addressed in the OBC which can be seen at Appendix D to this report. The OBC includes, at appendix E, information on the sources and assumptions used to calculate the Benefits Cost Ratio in the Economic Case.

No change to documentation required

In addition, this 'challenge' has now been inserted to the project risk register, seen at Appendix F.

Risk Register updated

- 6.45 **CWR to come back to Scrutiny as an interim update item – i.e. early new municipal year.**

Addressed in Section 14, Onward Timetable.

- 6.46 In addition to the comments made by Scrutiny Committee, a public speaker set out that the chosen approach is complicated and does not allow for effective competition together with concerns around approach to archaeology.
- 6.47 The chosen approach approved in CAB3303 has followed due process and been approved at each stage by Cabinet. Additionally numerous public, stakeholder and Member engagement events have been held as outlined at Section 6 of this report. Responses at these events has been fed back into the process and proposals by the project team. The procurement process is statutory and set up to enable effective completion and laid out in detail in Section 13. Archaeology is addressed at paragraph 6.33 of this report.
- 6.48 The City of Winchester Trust also addressed the meeting and made reference to a letter sent to all members of the committee. The Cabinet member indicated that she had not seen the letter and a copy was later provided.
- 6.49 The Trust made a number of comments regarding the procurement process, archaeology, single development partner, site boundaries and the Movement Strategy.

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 also help shape a sustainable community with 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 sit 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 Several other policies support the council's commitment to sustainability, notably the Green Economic Development Plan and the commitment to develop sustainable new build housing through the Housing Asset Management Plan. The Council Plan priority of tackling the climate emergency and creating a greener district will be a key influencer in the development proposals
- 7.3 In addition to the council's in house team, JLL provide advice on matters of sustainability and more locally WinACC are engaged through the Open Forum Panel.
- 7.4 Consideration has been given to the carbon impact of wider re-use of existing structures on the development site, rather than wholesale demolition. But the advantages of this approach should be balanced against the additional challenges of creating a carbon neutral building in an existing structure. Clearly the proposals for all buildings will be carefully evaluated in any development proposal.
- 7.5 The council acknowledges that taking steps to contribute towards net zero carbon will incur costs but that the resulting uplift in values may compensate or even exceed the extra cost involved. At the OBC stage of the business case process there is insufficient detail to identify the true cost and revenue impact of adopting Net Zero Carbon but this will be further explored at the Full Business Case.
- 7.6 The ecological aspects of the central Winchester regeneration is an area that will require careful consideration to ensure that the necessary ecological report requirements for a planning permission decision to be made are in place. This will be carried out as the plans for the regeneration progress.
- 7.7 Any relevant environmental targets set by the Secretary of State in the exercise of his powers under the Environment Act 2021 will be properly taken into account, as and when they are implemented and the council will comply with its obligations under the Local Air Quality Management Framework introduced under the Act. As noted above, the project is intended to promote active travel and improve air quality.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 As progress on delivery of the CWR development moves forward, the needs of individuals who fall within the protected groups defined in the Equality Act 2010 will be considered at each stage. 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:
- a) Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
 - b) Advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them.
 - c) 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 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 protected groups should be better met and hence equality of opportunity advanced through the delivery of new, highly accessible, good quality housing, public realm and accessible links into the city centre.
- 8.4 In particular, the recommendations and proposed mitigations are aimed at ensuring that:
- a) Housing strategy should seek to meet the council's planning policy on affordable housing so as to benefit protected groups.
 - b) Good design teams will be procured and there will be a focus on quality during delivery so that new facilities are better than existing and the future public realm is high quality.
- 8.5 Consultation and engagement have not given rise to representations that there will be adverse effects from the proposed development on protected groups.
- 8.6 Due regard has been given to the council's duties as set out above in the form of an initial review and it is considered that detailed assessments are not necessary at this stage and will be undertaken at a later stage. The decision to be taken in this report is considered to contribute towards advancing equality of opportunity and is consistent generally with the public sector equalities duty and its objectives.

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 a Data Processing Impact Assessment (DPIA) is not required 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

- 10.1 The CWR risk register can be seen at Appendix F, with an amendment made in respect of Archaeology and legal challenge following consideration by the Scrutiny Committee.
- 10.2 Members should review this risk register to aid their decision making in this matter.

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. Regeneration of the area in line with the CWR SPD guidance will support a vibrant local economy by working to fill the gap of affordable and flexible commercial space, enhancing the evening economy offer for the district and creating an area aimed at attracting and retaining the young and creative talent and respecting the heritage of the City. It is vital the Council invests now to ensure the city continues to attract people to live, shop, visit and work.
- 11.2 The CWR Development Proposals demonstrate that there is the opportunity to deliver a vibrant mixed use scheme in line with the objectives and aspirations of the CWR SPD which includes provision of creative and cultural space, independent retail units, extra hotel capacity, residential offer with mix of tenures and exceptional public realm and open spaces which will be accessible for all to enjoy. This is outlined further in Appendix H.
- 11.3 To support this approach and to reflect the desire to bring regeneration to the heart of the city, the Central Winchester Regeneration (CWR) Supplementary Planning Document (SPD) was adopted in June 2018 following an eighteen month period of public engagement and consultation, reference CAB3034. Views and comments were collected from around the Winchester district via roadshows, workshops and a community engagement weekend and feedback received was taken in to account in the CWR SPD.
- 11.4 The resultant vision for the Central Winchester Regeneration area is set out in the CWR SPD:

“the delivery of a mixed-use, pedestrian friendly quarter that is distinctly Winchester that supports a vibrant retail and cultural/heritage offer which is set in exceptional public realm and incorporates the imaginative re-use of existing buildings”

- 11.5 Additionally the CWR SPD sets out the following objectives which are to be key considerations for any development proposal:
- Vibrant mixed use quarter
 - Winchesterness
 - Exceptional Public Realm
 - City Experience
 - Sustainable Transport
 - Incremental Delivery
 - Housing for All
 - Community
 - Climate Change and Sustainability
- 11.6 The CWR SPD provides guidance for developers and landowners who seek to bring forward a development proposal on key aspects for the city such as archaeology, heights and roofscape, scale and massing, views and skylines, public realm; streets, spaces and water and the mix and quantum of land uses.
- 11.7 Following the appointment of the councils' strategic advisors in 2019, a study was carried out looking at the competitive positioning of Winchester and the report, 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.
- 11.8 This trend combined with the emerging impact of COVID-19 on the national economy shows that this regeneration opportunity in central Winchester can place the city on the front foot to enhance a unique heritage city. It is therefore vital we move forward 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.
- 11.9 Work was carried out to explore development scenarios for the CWR area based on the CWR SPD guidance and testing different emphasis on mixes of land use allowed in the CWR SPD ranges. Three scenarios were developed and, following an open forum on 17th February 2020, feedback was

considered and incorporated in to the CWR Development Proposals that went to consultation in November 2020, reference CAB3271.

- 11.10 The council is committed to ensure that a development scheme reflects the objectives in the CWR SPD and the CWR development proposals (the Defined Site) which are based on the CWR SPD. Public views were taken in to account through the consultation process on the development proposals and CWR SPD, can be seen at Appendix H. The CWR Development Proposals were approved at Cabinet in on 10th March 2021, ref CAB3281.
- 11.11 The proposals outline a mix of uses to reflect the mid-range of the land use quantum in the CWR SPD and includes residential units, 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.
- 11.12 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 increase the council's landholdings and 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.
- 11.13 Following a comprehensive consultation exercise, carried out through November 2020 to January 2021, the CWR Development Proposals were approved at Cabinet on 10 March 2021 and approval was given to work on and complete the Strategic Outline Case (SOC).
- 11.14 The SOC, which can be seen at Appendix I, was completed and presented to Cabinet on 21st July 2021, reference CAB3303. The document outlined the strategic aims for the project together with the options for delivery and the preferred way forward.
- 11.15 The SOC identified key policies that delivery of the CWR development proposals would meet (section 2.3 Strategic Case), outlined the investment objectives (section 2.3.3 Strategic Case) and Critical Success Factors (section 3.2 Economic case) and explored the different routes to delivery (section 3.4 Economic case).
- 11.16 Options for delivery of the development proposals included council delivery through to disposal of the site to a third party. The SOC analysed the differing delivery mechanisms available and in doing so considered aspects such as planning process, financing, development risk and levels of control and affordability and these considerations can be seen in the table below:

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

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

11.17 The delivery options identified in the SOC and then explored were;

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

11.18 Advantages and disadvantages were considered for each delivery option, together with the level of associated risk and control, and the analysis can be seen in the following table:

	Option 3.1	Option 3.2	Option 3.3	Option 3.4	Option 3.5	Option 3.6
Descriptor	Disposal- Freehold or Long Leasehold	WCC to bring forward Kings Walk Creative Quarter and deliver the on-	WCC to bring forward Kings Walk Creative Quarter and deliver the on-	WCC to bring forward Kings Walk Creative Quarter.	Development agreement across the defined site with one	WCC acting as master develop

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

11.19 Taking the outcome of the SOC analysis, the long list options were either ruled out or further investigated in the short list as follows;

- Excluded – Option 3.1 as the council would have little control over what the developer delivers other than through the planning process.
- Excluded – Option 3.2 as this route would require the council to secure a hybrid planning consent for the whole defined site and invest capital and take delivery risk in relation to Kings Walk and the on-street bus solution.
- Excluded – Option 3.3 as although the council would retain some control over the development there may be some complexity in WCC delivering portions of the development themselves and a lack of market

appetite for remaining land and the council would need to secure a hybrid planning consent for the defined site.

- Shortlisted – Option 3.4 as the council would retain some control over the development via the development partner procurement process and the deal structure outlined in the development agreement. However there is complexity and significant cost associated with WCC delivering the Kings Walk element of the development themselves
- Shortlisted – Option 3.5 as it enables development to be brought forward in a comprehensive manner by one party, whilst also allowing the council to retain some control over the development through the development agreement. In addition, the council has control over the development partner selection process and can therefore choose a partner that shares the same aspirations for the site
- Excluded – Option 3.6 because the full cost and planning risk will remain with WCC and this route would require a high degree of expertise.

11.20 As a result of the analysis in the SOC, the short list was identified (section 3.9.1 Economic Case) as follows;

- Option 3.4 the council to deliver Kings Walk with a development partner delivering the remainder of the defined site;
- Option 3.5 the council to procure a development partner to deliver the defined site.

11.21 Further analysis on the short listed options arrived at the preferred option (section 3.9.3 Economic case) that the council finds a development partner to develop the council owned land, *the defined site*, through a single development agreement and this was approved by Cabinet 21 July 2021.

11.22 The summary of this analysis can be seen here;

Delivery	Option 3.4- shortlisted WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Option 3.5- preferred Development agreement (i.e. contractual Joint Venture) across the defined site with one development partner
CSF1: Alignment to city needs	4	4
CSF2: Alignment to SPD	4	4
CSF3: Alignment to investment objectives	4	4
CSF4: Achieving the benefits	3	3

Delivery	Option 3.4- shortlisted WCC to bring forward Kings Walk Creative Quarter. Development Agreement with one development partner for the remainder of the defined site	Option 3.5- preferred Development agreement (i.e. contractual Joint Venture) across the defined site with one development partner
optimisation		
CSF5: Affordability	1	3
CSF6: Planning permission	2	3
CSF7: Political Risk	3	2
Total (out of 20)	21	23

11.23 It can be seen from the table above that Option 3.4 was **excluded** this option delivers well against the CSF's, it does require significant capital expenditure by the council to deliver Kings Walk and is therefore deemed as less affordable to the Council.

11.24 Option 3.5 was identified as the **preferred option** which will be assessed further at OBC stage. This option delivers very well against the CSF's with no significant capital expenditure by the council.

11.25 The SOC concluded that delivery of the CWR Development Proposals with the preferred development approach would meet the strategic objectives set out and this included adherence to the CWR SPD, a key policy document and material consideration in the planning process. The SOC was approved at that Cabinet session and approval was given to proceed to progress the Outline Business Case (OBC) which has been completed.

12 OUTLINE BUSINESS CASE

12.1 The Outline Business Case (OBC) can be seen at Appendix D and the following paragraphs summarise 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	• Strategic Assessment	• Strategic Outline Case	• Outline Business Case	• Full Business Case
Stage	• Determine the	• Scoping the	• Planning the	• Procuring the

activities	strategic context	scheme	scheme	solution
5 Case Model completeness expectation	•	<ul style="list-style-type: none"> • Making the case for change • Explore the preferred way forward 	<ul style="list-style-type: none"> • 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"> • Contracting for the deal • Ensuring successful delivery
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 Strategic Outline Case (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 these amended CWR Development Proposals.

Outline Business Case summary

12.9 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.

12.10 The OBC aims to further assess the preferred option in the context of the expected economic benefits, viability and affordability to the council 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 deliver;

12.11 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.

12.12 This OBC concludes that each case of the Green Book guidance is made but flags the loss of income associated with repurposing the existing estate and that further work will be required at Full Business Case stage.

- 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 CWR 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 affordability to the council 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.

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

Strategic Case:

12.14 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 supports objectives of the Council Plan 2020 - 2025.

12.15 The findings in the SOC are also confirmed along with the key objectives from the relevant policies are highlighted. It is outline 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 CWR 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.

12.16 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.

12.17 **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 CWR SPD.**

12.18 **THIS CASE HAS BEEN MADE**

Economic Case:

12.19 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.

12.20 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.

12.21 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.

12.22 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 outputs – which are detailed below in paragraph 12.23;

- d) Sensitivity analysis and optimism bias to demonstrate impact of changes to cost inputs / benefit outputs.

12.23 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.

Quantitative benefit analysis:

12.24 The CWR project team and advisors 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.

12.25 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.
- f) In calculating the benefits of the above, benchmarked data, local tourism data and a number of researched market reports have been used.

12.26 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.

12.27 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 the council or the National Government by taxation of other means.

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

Qualitative benefit analysis:

12.29 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 focused 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 to quantify this benefit. It is nevertheless 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.

12.30 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

12.31 The benefits are then divided by the Development Costs (estimated cost to complete the development) to determine the ratio. The economic results of

the BCR are shown in the table below which illustrates the benefits over a 15 year period:

12.32 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

12.33 The base position, without any allowance for optimism bias, shows an illustrative All Economy Benefit of 2.68 to 0.43 on Public Purse benefit.

12.34 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.

12.35 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.

12.36 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

12.37 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. A favourable return is still indicated if adjustments are made for optimism bias.

12.38 **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.**

12.39 **THIS CASE HAS BEEN MADE**

Commercial Case:

12.40 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.

12.41 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.

12.42 The OBC provides a detailed consideration of the proposed deal structure, procurement method and contractual arrangement of the preferred delivery option.

12.43 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.

12.44 The opportunity will be the subject of a competitive process, full details can be seen in the Commercial case of the OBC, based on five key stages:

- a) 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.
- b) 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.
- c) 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.

- d) Tender evaluation: final submissions will be evaluated and may involve fine tuning and clarification before reaching a decision on the preferred developer.
 - e) Preferred bidder: The successful bidder will be appointed, and then final steps taken to reach a contract close.
- 12.45 The OBC outlines the key commercial principles that underpin the development 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 the Agreement;
 - d) Determine outcomes, including the development outcomes and financial terms (e.g. land payments);
 - e) Address the exit strategy – both at the completion of the scheme and where an early termination maybe required;
- 12.46 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.
- 12.47 **The Commercial Case outlines the commercial arrangements and the 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.**
- 12.48 **THIS CASE HAS BEEN MADE**
- Financial Case**
- 12.49 The Financial Case explores the overall affordability of the preferred option for the council and identifies the associated financial risks.
- 12.50 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 the council.

- 12.51 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.
- 12.52 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.
- 12.53 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
- 12.54 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.
- 12.55 **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.**
- 12.56 **THIS CASE HAS BEEN MADE BUT FURTHER WORK ON AFFORDABILITY WILL BE REQUIRED IN THE FULL BUSINESS 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.**
- 12.62 **THIS CASE HAS BEEN MADE**

13 PROPOSED PROCUREMENT APPROACH

- 13.1 As approved at Cabinet in July 2021 (CAB3303), the 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 were identified and considered at that time.
- 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 Consideration has been given to the procurement procedures available under PCR2015 and the Competitive Dialogue (CD) procedure is 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 CWR SPD), the exact means by which CWR is to be delivered and (for example) the phasing, cannot be specified in advance. 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 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, is 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 focused. 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 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 CWR SPD). The Procurement is not therefore aimed at securing designs or detailed scheme proposals.
- 13.11 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-focused evaluation criteria (including in relation to sustainability and public realm).
- 13.12 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.
- 13.13 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 Bidder's 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. This first phase case study will be used for evaluation purposes but will not necessarily be the first phase in the scheme delivery.
- 13.14 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.
- 13.15 The opportunity will be the subject of a competitive process in keeping with the statutory criteria in the Public Contract Regulations 2015 and the council's Contract Procedure Rules and is therefore based on five key stages listed below:
- 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) with supporting information (e.g. annual accounts). 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 A.

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.

Bidders' financial stability (or parent company if the bidder is seeking to reply on this) will be assessed at SQ stage on a pass/fail basis in accordance with PCR2015. A three stage appraisal will be undertaken that comprises of:

Stage 1 - Ratio analysis scoring

The council will use the accounts (or other financial information) submitted in response to the SQ to carry out analysis on five ratios;

- i. Cash to Current Assets
- ii. Current Ratio,
- iii. Gearing %
- iv. Return on Capital Employed % and
- v. Net Profit Margin %

Stage 2 – Dun and Bradstreet Assessment (or equivalent)

The assessment will be based upon two factors:

- i. Risk of Business Failure and
- ii. Tangible Net Worth

Stage 3 – Risk Assessment

If a Bidder has fails either Stage 1 or Stage 2, or both, the Council will make a request to the Bidder, that it submits evidence to support its financial standing and to try to demonstrate its financial resilience. This information could include, but is not limited to:

- i. Audited management accounts for periods not covered by the financial statements initially submitted;
- ii. Representations from the Board;
- iii. Further supporting financial information to evidence financial standing

The evidence required to satisfy the Council will depend on the nature and severity of the risk which needs to be addressed.

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 CWR SPD and Development Brief. As with the SQ questions, the Project Team have engaged with 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 the one that scores the highest overall.

The Public Contract Regulations 2015 and the Contract Procedure Rules set out the process that must be followed in the award of any contract and the evaluation process must be undertaken by the officer team and dependent on value a recommendation of award must be made to Cabinet. Contract Procedure Rules states that; Elected Members shall not participate in the tender evaluation procedure but may in appropriate cases be invited to attend any presentations given by tenderers and to review submission documents. Any such Elected Member participation shall be on the basis that Elected Members shall treat all information as commercially sensitive and confidential. A further report will be brought to Cabinet setting out further details of the selection process, details of officers to be involved and any external specialist expertise required to assist the selection panel, in due course.

- 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 key documents at commencement of the procurement process will be:

- i. 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.
- ii. 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 the council and deliver to the Development Brief (the criteria and weightings cannot be changed after publication).
- iii. Development Brief – confirming and setting out the council's requirements.
- iv. Commercial principles - setting out the key elements of the development agreement and commercial position taken by the council.
- v. 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).

14 ONWARD TIMETABLE

- 14.1 Subject to Cabinet approval, approval will be sought at Full Council in January 2022 to proceed with the procurement of a development partner as outlined in this report. Should approval be given in January, the documents for publication will be prepared and the procurement process will commence shortly after with publication of the contract notice as set out in the table below.
- 14.2 The selection stage of the procurement process is expected to take 2 months after which the shortlisted bidders will enter the dialogue stage.
- 14.3 The dialogue stage is expected to take 6 months after which the final tenders will be evaluated in accordance with the published evaluation criteria.
- 14.4 When the preferred bidder (the highest scoring in accordance with the published evaluation criteria) 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 award a contract and enter in to the development agreement, likely to be in early 2023.
- 14.5 Anticipated timeline:
- February 2022 Issue contract notice
 - March Stage 1 Selection Questionnaire deadline
 - March ITPD issued to shortlisted bidders
 - April to October Bidder dialogue period
 - November Final tender submission deadline

- December to January Evaluation of final bids and FBC preparation
- Spring 2023 Appointment of development partner

- 14.6 The council is committed to continue the high level of engagement that has been put in place since the creation of the CWR SPD and throughout this process, at appropriate key points, there will be stakeholder and public updates
- 14.7 Further information on the process, including information on the evaluation panels, attendees at the dialogue sessions and attendees at bidder presentations will be set out at a later date.

15 OTHER OPTIONS CONSIDERED AND REJECTED

- 15.1 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 CWR SPD.
- 15.2 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.
- 15.3 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.
- 15.4 This approach was approved at Cabinet in July 2021.
- 15.5 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.
- 15.6 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 or achieving these objectives would be significantly delayed, expenditure on the project to date would be wasted and the opportunity to address the gaps identified in the Competitive Positioning report would be missed.

- 15.7 The OBC concludes that by delivering a development in line with the CWR 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. The associated suite of documents set out risks to the council which should be considered during the decision making process.
- 15.8 The options to do nothing or revisit objectives for the site have 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

Appendix J Draft Scrutiny 061221 Extract of Minutes