

REPORT TITLE: GOVERNANCE OF THE CENTRAL WINCHESTER
REGENERATION PROJECT

7 FEBRUARY 2023

REPORT OF CABINET MEMBER: Cllr Martin Tod - Leader and Cabinet Member for
Asset Management

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WARD(S): TOWN WARDS

PURPOSE

The procurement process for the appointment of a development partner for the Central Winchester Regeneration Project is reaching a conclusion and recommendations about the appointment of a preferred development partner will be brought to Cabinet for approval in March.

This paper sets out proposals for the future governance of the project. Subject to any amendments required by the Committee, if approved, the governance proposals set out in this report will be reflected in the development agreement with the selected development partner.

RECOMMENDATIONS:

The Committee are recommended to:

1. Approve the governance framework set out in Appendix 1.
2. Delegate the Strategic Director with responsibility for the Central Winchester Regeneration project to incorporate the key principles and mechanisms set out in these proposals into the development agreement with the selected development partner, subject to any minor clarification or fine-tuning agreed with the development partner.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Regeneration of central Winchester is a key priority for the council and supports the Council Plan priorities by working to deliver a vibrant new mixed-use development. The successful delivery of the project will require strong governance arrangements to be in place to ensure an effective working relationship between the council and its development partner for delivery of the project and the Council Plan outcomes as set out below:

Tackling the Climate Emergency and Creating a Greener District

- 1.2 The 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.

Homes for All

- 1.3 The development will contribute to the homes for all objective by filling the existing gap of affordable, smaller units that the market is unlikely to provide.

Vibrant Local Economy

- 1.4 The development will incorporate the objectives and guidance set out within the Central Winchester Regeneration Supplementary Planning Document (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.

Living Well

- 1.5 The improvements to the area through the development of CWR will create a place which is accessible to all, enabling journeys by foot or cycle and provide open spaces which will help to promote active travel and improve air quality. This will have a positive impact on both the physical and mental health of people and work to promote health and wellbeing.

Your Services, Your Voice

- 1.6 The governance arrangements will provide regular opportunities for the public to engage in proposals. The proposals are also intended to be as transparent as possible, whilst ensuring that commercially sensitive and confidential information is handled appropriately.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no new financial implications arising from the proposals in this report, as the costs of the governance arrangements are already provided for in the overall project budget.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council has been advised by Browne Jacobson LLP throughout the procurement process to appoint a development partner. They have advised that the council has the necessary statutory powers to carry out the project and that these governance arrangements are likewise lawful (and are a suitable means for engaging with the developer).
- 3.2 Ensuring that there are appropriate governance arrangements in place is an issue that has been raised with bidders during the procurement dialogue process, and the proposals set out in this paper reflect the expectations the council has shared with bidders during that process; aside from matters of detail, all bidders agreed with these governance arrangements (including the recommended preferred bidder).
- 3.3 Under the terms of the development agreement, the development partner will need to produce a Development Delivery Plan, which satisfies the Development Brief and accords with the objectives in the SPD. The development agreement will recognise that delivery will be phased, but the overall Delivery Plan and the plans for each phase will need to be approved by the council. The council's approval will also be required on other occasions. Proposals for how the decision making and governance arrangements should operate appear in section 11 of this report and in Appendix 1.

4 WORKFORCE IMPLICATIONS

- 4.1 The administration of the Governance will fall to the project team within existing resources. The resources to fulfil the governance requirements will be included in the full business case.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The proposed governance arrangements, set out in this report, are intended to ensure that there is proper coordination of activity between the development partner and the council in relation to the management of property and assets. This reflects, among other things, that the Site (as defined in the business case and development agreement) is owned by the council and will not transfer to the developer until certain conditions are met. The arrangements also reflect the steps to be taken by the council to secure vacant possession. The governance arrangements also relate to how land receipts (including by way of revenue) are to be settled.

6 CONSULTATION AND COMMUNICATION

- 6.1 The council is committed to the involvement of all appropriate stakeholders and the local community in developing an approach to the development of the site. This approach will ensure their interests and concerns as far as archaeology and the historic environment are properly addressed and that in respect of these matters the development process will be as transparent as possible. The recommended development partner will support this commitment.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The council has declared a Climate Emergency and is committed to sustainable development. The council's Carbon Neutrality Action Plan ensures all council activity is undertaken with a view to supporting the commitment to achieving net zero carbon emissions. The recommended development partner will support this commitment.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 There are no issues arising directly from this report. An equalities impact assessment will be undertaken as part of the decision-making process to appoint a development partner.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

- 10.1 The risk register for the CWR project will be kept under regular review and publicly reported through the performance report. The approach to risk management will be set out in the business case and supporting report to Cabinet.
- 10.2 Strong governance is an important element of risk management and successful project delivery. Governance arrangements also need to allow decisions to be taken in a timely fashion that supports project delivery. The proposals in this paper are intended to achieve that.

11 SUPPORTING INFORMATION:

Background

- 11.1 The procurement exercise, to select a development partner for the Central Winchester Regeneration site, is approaching its conclusion. Once a development partner has been selected, the development partner and the council will enter into a development agreement to ensure the delivery of the development by the development partner. A report will be taken to Cabinet in March 2023 seeking approval of the outcome of the procurement process.

- 11.2 The need to have appropriate governance arrangements in place has been highlighted with bidders during the dialogue process. The proposals set out in this paper reflect the expectations the council has shared during that process, and which have been expressly agreed by the recommended development partner in their final tender.

The framework for decision making in the development agreement

- 11.3 The key elements of the decision-making framework are:

- a) Central Winchester Supplementary Planning Document (SPD): This sets the vision for the Central Winchester Regeneration area and sets out nine objectives that are key considerations for any development proposal. The SPD is expressly referenced in the Development Brief for the site.
- b) Development Brief: The development objectives are tied to the development brief and reference the SPD. The development brief cannot change without the council's agreement and will be a schedule to the development agreement.
- c) Development Agreement: The development agreement will require the development partner to procure the carrying out and completion of the development in accordance with the development brief. The development agreement will require the development partner to produce a delivery plan that satisfies the development brief and accords with the objectives in the SPD. The development agreement will include a schedule that captures the overall design principles for the scheme (reflecting the successful developer's approach to meeting those principles).
- d) Delivery Plan: The development agreement will contain an initial delivery plan, which will evolve as the project progresses. Delivery of the plan is defined by reference to long stop dates. Within 6 months of signing the development agreement, the development partner must put forward its draft updated delivery plan (including the phasing plan) for council approval. The council will be entitled to reasonably withhold approval or require amendments where: all or part of the draft is not in accordance with the development objectives; and/or the draft updated version of the delivery plan is not coherent across the phases. Once approved, amendment of the delivery plan requires the consent of both parties, and any changes must be in accordance with the development objectives (unless the council consents).
- e) Infrastructure Delivery Plan, Public Realm Delivery Plan and Phase Delivery Plan: Alongside (or as part of) the draft updated version of the delivery plan the development partner must submit an infrastructure delivery plan, public realm delivery plan and phase delivery plan for council approval. The council can reasonably withhold approval or require amendment where: all/part of the plans in relation to Phase 1 is

not in accordance with the development objectives; and/or the plan is not coherent across the phases; and/or the draft plans are materially inconsistent with the delivery plan.

- f) Financial Model with the Phase Site Consideration Thresholds: council approval is required to the form of (and any update to) financial model, and any disagreement will then go to an expert. The financial model will lock down the developer's minimum return threshold and will be used to generate the land values (whether capital payment or revenue stream).
- g) Assignment by the Development Partner: requires council consent.
- h) Planning Application: the development agreement requires the development partner to make a hybrid planning application seeking detailed planning permission for the first phase of the development and outline planning permission in relation to the remainder of the development. The council's approval (as landowner not LPA) is required to make such an application, which the development agreement states will be valid where it is in accordance with the design principles and the development objectives.
- i) Design and Financial Model: alongside the planning application, details of the design work, an updated financial model and explanatory narrative will need to be provided by the development partner. The council's approval is required as to whether these are in accordance with the design principles and development objectives.
- j) Land transfers: where the development partner has satisfied the council that it has met the conditions for grant of a land interest, a building lease will be granted for the construction period and a long lease automatically granted at practical completion. If the development partner cannot show to the satisfaction of the council that these conditions have been met, the council can hold back the grant of the building lease.

Governance structure

- 11.4 To ensure adherence to the development agreement, a contract management governance structure is required that is clear about who is authorised to provide approval or consent on behalf of the council. The governance arrangements also need to provide a clear framework where everyone's objectives, roles and responsibilities are understood and adhered to.
- 11.5 Bidders have been informed of the council's governance requirements by way of a general clarification issued and discussed during dialogue. That clarification amplified the positions in the draft development agreement and set out a governance structure that involves:
 - a) Working group meetings, which will occur very regularly

- b) Project board meetings, which will be held monthly
 - c) Quarterly meetings of the Cabinet Committee: Regeneration
- 11.6 This governance structure will sit alongside, and complement, the development partner's work on wider engagement with the community, business groups, and other key stakeholders (which will be an obligation under the development agreement).
- 11.7 The development agreement will need to incorporate the expectations regarding engagement between the council and the development partner over the life of the whole project to ensure regular and adequate reporting, and clear decision-making processes.
- 11.8 Further details about the governance structure can be found at Appendix 1.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Consideration was given to a lighter touch governance structure, with less frequent meetings of the Project Board and Cabinet Committee: Regeneration. This was rejected as the strategic importance of the project requires the level of oversight envisaged in the proposals that are recommended in this report.
- 12.2 A corporate joint venture structure under which decision-making (as well as project risks and rewards) is shared was rejected at Strategic Outline Case stage.

BACKGROUND DOCUMENTS:

Previous Committee Reports:

CAB3303 - 21 July 2021: Central Winchester Regeneration Strategic Outline Business Case

CAB3322 - 22 December 2021: Central Winchester Regeneration Outline Business Case

Other Background Documents:

None.

APPENDICES:

- 1: Proposed project governance arrangements

Appendix 1: Proposed project governance arrangements

1 Project Team

- 1.1 The day-to-day liaison between the parties to the development agreement would sit with a joint city council and development partner project team.
- 1.2 The role of the team would be to ensure that workstreams remain on track, in relation to time, cost and outcomes to deliver the project's objectives and for any agreed actions to be noted and carried out. Examples would include the development partner's progress under the design and planning workstream, the council's workstream in relation to demolition and vacant possession, or the joint activities on consultation and communication.
- 1.3 The project team will comprise lead officers from the council and their counterparts at the development partner.
 - a) For the council, the team would comprise the Strategic Director with responsibility for the Central Winchester Regeneration project, the Head of Programme plus representatives from the Estates Team, the Planning Team, Legal Services, Finance and Communications. Other officers would be invited to attend as appropriate.
 - b) For the delivery partner, the team would include the overall project lead and the relevant lead for each workstream.
- 1.4 The project team will meet formally, in private, on a weekly basis.
- 1.5 Project support and the secretariat function will be provided by the delivery partner and any papers for the meeting, or notes of discussions, will be confidential to encourage the free and frank exchange of information, subject always to the requirements of the Freedom of Information Act 2000.
- 1.6 Representatives from the project team will report to the Project Board when it meets. Normally those reports will be provided:
 - a) From the council by the Head of Programme
 - b) From the development partner by the overall project lead
- 1.7 The project team will not make strategic decisions but will enable the council to liaise with and steer the development partner's overall approach to delivery, taking account of positions settled in the forums mentioned below.

2 Project Board

- 2.1 The project board will oversee the strategic direction of the project, including:
 - a) Reviewing the delivery plan and other key gateways before seeking required council approvals

- b) Monitoring progress and adherence to the development agreement
- c) Monitoring progress against the delivery plan
- d) Reviewing and agreeing the communications and engagement plan (which forms part of the delivery plan but, per the development agreement, requires joint approval)
- e) Reviewing and agreeing the route to gateway approvals, as set out in the delivery plan, to ensure the relevant conditions have been met and timely council approvals are sought
- f) Resolving disputes and unlocking barriers to delivery as requested by the project team (noting that, if the project board is unable to resolve a dispute, there is a formal dispute resolution process in the development agreement).

2.2 The Project Board will comprise:

- a) 2 Cabinet Members and 2 members from the Executive Leadership Board, for the council
- b) 4 relevant project directors from the development partner
- c) Ex officio members may be included as appropriate (for example, legal or finance colleagues)

2.3 In addition to the reports back from the nominees on the Project Team, Project Board members will be able to request additional, ad hoc attendees as appropriate.

2.4 The Project Board will meet, in private, monthly. Additional meetings may be scheduled by agreement.

2.5 A formal agenda will be prepared for each meeting and the chair will alternate between the council and the development partner.

2.6 Project Board secretariat to be provided by the development partner and any papers for the meeting, or notes of discussions, will be confidential to encourage the free and frank exchange of information, subject always to the requirements of the Freedom of Information Act 2000.

Quarterly review meetings by the project board

2.7 In addition to the project team and project board meetings, set out above, there will be formal quarterly review meetings.

2.8 The purpose of the quarterly review meetings is to monitor progress and agree key actions to secure successful delivery, including review of:

- a) The delivery plan

- b) Conditions satisfaction (i.e., the conditions to be satisfied in order for work to start on site under a building lease)
 - c) Communications and engagement activity
 - d) The risk register
 - e) Financial modelling
 - f) Cost/social value/design reports
- 2.9 The project board may invite people to attend as it sees fit.
- 2.10 The Chair will alternate between the council and the development partner.
- 2.11 Like ordinary project board meetings, secretariat function for quarterly review meetings will be provided by the development partner and any papers, or notes of discussions, will be confidential to encourage the free and frank exchange of information, subject always to the requirements of the Freedom of Information Act 2000.
- 2.12 Progress of the project will also continue to be reported via the council's quarterly reporting process to the performance board.

Meetings with the Cabinet Committee: Regeneration

- 2.13 Following the formal quarterly project board reviews, the development agreement will impose an obligation on the development partner to support and attend quarterly updates to the council's Cabinet Committee: Regeneration.
- 2.14 The quarterly update to the committee is primarily intended as an opportunity to provide information and updates about the project. These meetings will provide an opportunity for members, the public and other stakeholders to hear about and discuss project progress and next steps.
- 2.15 Representatives from the development partner and the officers attending for the council will be agreed at each update meeting.
- 2.16 The arrangements for the meeting, including the publishing of papers in advance of the meeting and minutes after the meeting, will be managed by the council's Democratic Services Team in the same way other council meetings are managed.

Council approval and consent

- 2.17 The council has established the Cabinet Committee: Regeneration to oversee the council's regeneration projects. In particular, the committee's remit includes:

- a) Exercising the financial management and procurement powers of Cabinet, subject to some limitations.
 - b) Agreeing project plans and monitoring progress of projects.
 - c) Agreeing progression to the next stages of design as set out in the project plan.
 - d) Ensuring effective actions are in place to address key risks.
 - e) Agreeing methods of consultation and engagement and a communication strategy for a project.
 - f) Approving, where applicable, the Outline, Strategic and Full Business Cases.
 - g) Exercising the powers of Cabinet under the Financial Procedure Rules and specified powers under the Contract Procedure Rules.
 - h) Considering and approving the submission of any planning applications to the council as Local Planning Authority to take forward a project.
- 2.18 The Cabinet Committee: Regeneration Committee also advises Cabinet on any proposals where the Committee's delegated powers would be exceeded or where the risks need to be raised with Cabinet.
- 2.19 Given its terms of reference, where the council is required to give its approval or consent under the terms of the development agreement, the Cabinet Committee: Regeneration will normally be the appropriate decision-making body, unless it is judged that the decision should be considered by Cabinet for the reasons set out above.

Wider Engagement

- 2.20 There will also be the ongoing involvement of the stakeholder groups set out below at appropriate points throughout the programme. For example:
- a) CWR Archaeology Advisory Panel: The panel will receive updates on work being done and will be asked to review and advise on the proposed archaeology strategy
 - b) CWR Reference Group: The group will be asked for its input ahead of council approvals and give advice to officers about proposals in relation to specialist topics such as sustainability, archaeology, design, local views from business etc.