



# *Development Partner Business Case*

Winchester City Council

Central Winchester Regeneration

DRAFT

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# 1 EXECUTIVE SUMMARY

## 1.1 INTRODUCTION AND PROGRESS TO DATE

The transformation of the Central Winchester Regeneration (CWR) site is of key strategic importance to Winchester City Council (WCC) and the people of Winchester. The vision for the area is for a mixed-use, pedestrian friendly quarter that reflects the distinctive character of Winchester City Centre, supports a vibrant retail and cultural / heritage offer which is set within an exceptional public realm and incorporates the imaginative re-use of existing buildings.

WCC have aligned their approval process within the guidelines provided by HM Treasury Green Book. In line with these guidelines, the Strategic Outline Case (SOC) was approved by the Cabinet on 21<sup>st</sup> July 2021 and the Outline Business Case (OBC) was approved by the Cabinet on 22<sup>nd</sup> December 2021 and Full Council on 12<sup>th</sup> January 2022. The OBC identified the preferred delivery route to be the procurement of a Development Partner by way of a Development Agreement (the Agreement).

## 1.2 CONTEXT AND WAY FORWARD

Typically, the final stage of the Green Book process is the Full Business Case where an investment decision is approved. In order to secure the most favourable Development Partner, an interim stage has been incorporated to approve the appointment of a Development Partner and enter into the Agreement. The Full Business Case (FBC) will be prepared, in conjunction with the Development Partner (defined as the Developer in the Agreement), for WCC to approve (in accordance with the terms of the Agreement) that the final scheme proposed is in line with the Development Brief (prior to the submission of the planning application).

This revised programme, activities and decisions that align with the Green Book approach are outlined in the below table.

Table 1: Business case development process for CWR

Stage	Stage 1	Stage 2	Stage 3	Stage 4
Stage outcome	<ul style="list-style-type: none"> <li>Strategic Outline Case</li> </ul>	<ul style="list-style-type: none"> <li>Outline Business Case</li> </ul>	<ul style="list-style-type: none"> <li>Development Partner Business Case</li> </ul>	<ul style="list-style-type: none"> <li>Full Business Case</li> </ul>
Stage activities	<ul style="list-style-type: none"> <li>Scoping the scheme</li> <li>Making the case for change</li> </ul>	<ul style="list-style-type: none"> <li>Defining the proposal and delivery parameters</li> </ul>	<ul style="list-style-type: none"> <li>Procuring the solution</li> <li>Contracting for the deal</li> </ul>	<ul style="list-style-type: none"> <li>Approval of the Final Scheme (prior to the submission of the</li> </ul>

Stage	Stage 1	Stage 2	Stage 3	Stage 4
	<ul style="list-style-type: none"> <li>Explore the preferred way forward</li> </ul>	<ul style="list-style-type: none"> <li>Determine potential value for money (VfM)</li> <li>Preparing for the potential deal</li> <li>Ascertaining affordability and funding requirement</li> <li>Planning for successful Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring successful delivery</li> </ul>	<ul style="list-style-type: none"> <li>planning application), in alignment with the Development Brief and under the terms of the Agreement.</li> </ul>
5 Case Model completeness expectation	<ul style="list-style-type: none"> <li>Strategic 50%</li> <li>Economic 40%</li> <li>Commercial 20%</li> <li>Financial 30%</li> <li>Management 10%</li> </ul>	<ul style="list-style-type: none"> <li>Strategic 80%</li> <li>Economic 70%</li> <li>Commercial 60%</li> <li>Financial 60%</li> <li>Management 50%</li> </ul>	<ul style="list-style-type: none"> <li>Strategic 95%</li> <li>Economic 90%</li> <li>Commercial 95%</li> <li>Financial 70%</li> <li>Management 90%</li> </ul>	<ul style="list-style-type: none"> <li>Strategic 100%</li> <li>Economic 100%</li> <li>Commercial 100%</li> <li>Financial 100%</li> <li>Management 100%</li> </ul>
Gateway review	1: Business justification	2: Delivery strategy	3: Contract decision	3: Scheme approval

Guide to developing the project business case

The purpose of this document is to approve the appointment of the recommended Development Partner in line with the objectives outlined in the Development Brief and associated procurement documentation. At this stage, there is no finalised scheme or financial offer, so the assumptions included in this document are based on the development proposals, the recommended Development Partner’s final tender and the Agreement.

Approval of the recommended Development Partner Business Case will support the Contract Decision to enter into the Agreement with the recommended Development Partner. The Development Partner Business Case stage therefore represents the “Investment Decision” as per a standard FBC process.

The FBC gateway decision will be to confirm alignment of the Development Partner’s final scheme (via the Development Partner’s Delivery Plan) to the requirements of the Agreement, prior to the submission of the planning application. This will be a Cabinet approval that the Development Partner’s scheme aligns with the terms of the Agreement and Development Brief.

### 1.3 DEVELOPMENT PARTNER BUSINESS CASE PURPOSE

The main purpose of this Development Partner Business Case is to describe the procurement process which has been undertaken to identify a suitable Development Partner. It explains the key terms of the Agreement to be entered into with the recommended Development Partner and

the process and outcome of the procurement process which has been undertaken to support a recommended Development Partner appointment for CWR (and therefore entering into the Agreement).

The Development Partner Business Case uses the following framework:

- **Strategic case** – to re-confirm the strategic objectives recommended within the OBC
- **Economic** – to re-confirm the delivery model that was recommended within the OBC and set out the tender evaluation process undertaken to identify the Development Partner.
- **Commercial case** – to set out the conduct of the procurement and the commercial arrangements to be entered into with the recommended Development Partner
- **Financial case** – to ascertain the affordability position of CWR in the context of the Agreement
- **Management case** – to set out project management and governance arrangements to facilitate successful delivery.

Any areas which require further development as part of the Full Business case will be noted in the relevant section.

#### 1.4 GATEWAY REVIEW ARRANGEMENTS

Gateway reviews are recommended, and the agreed arrangements are that Cabinet will sign-off all Gateway reviews. Cabinet have confirmed that the CWR project team can request Cabinet meetings to undertake these reviews.

The key gateway review points are as follows and will be subject to Cabinet decision.

Table 2: Gateway Reviews

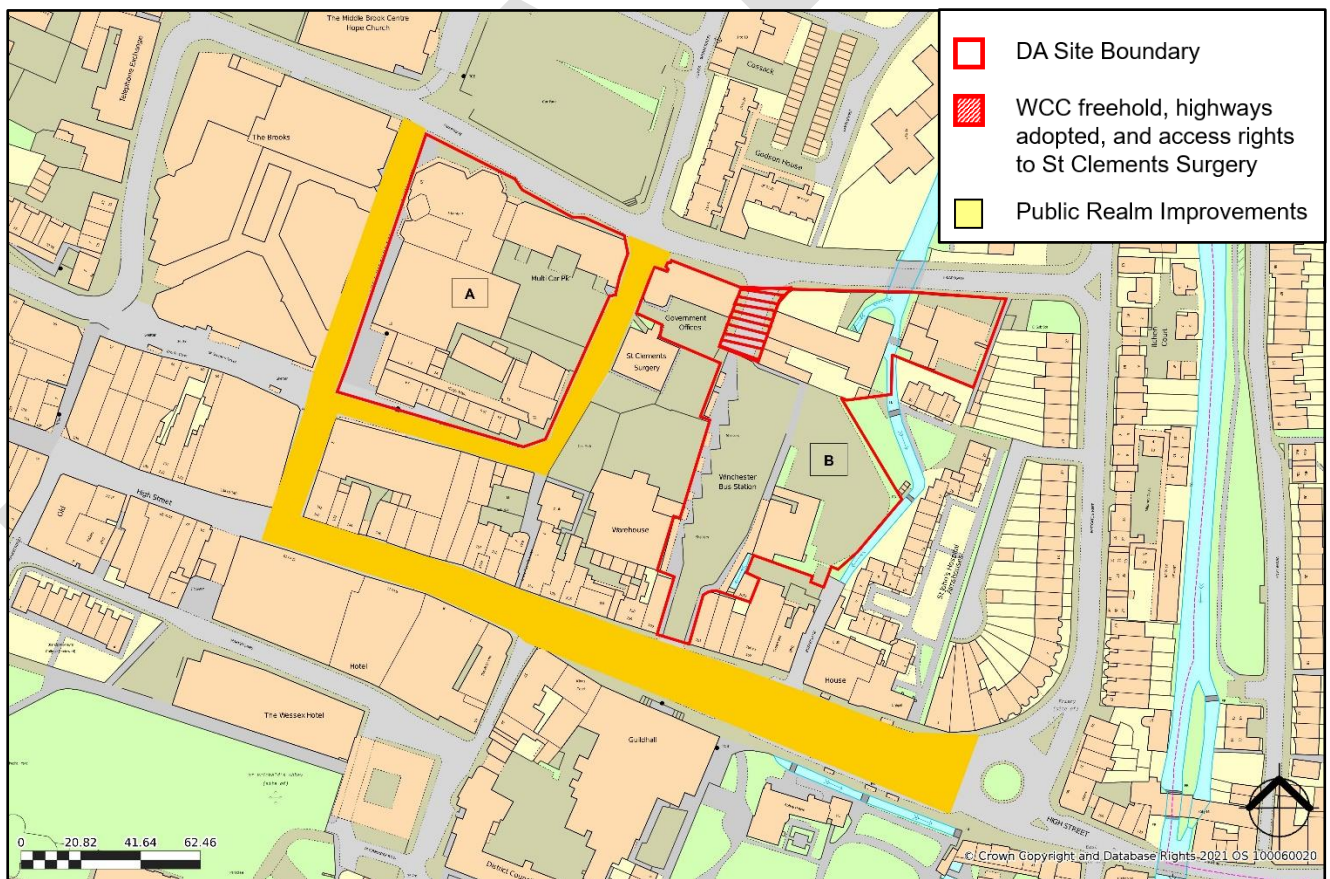
Gateway	Descriptor		Review report	Expected review date
Gateway 0	'Strategic Assessments' on an ongoing assurance of programmes at the start, delivery and closing stages		Included in Strategic Outline Case	21 July 2021
Gateway 1	'Business Justification' prior the detailed planning phase.		Strategic Outline Case	21 July 2021
Gateway 2	'Delivery Strategy' prior to the procurement phase.		Outline Business Case	15 December 2021
Gateway 3a	'Contract Decision' prior to contract signature.	<b>Approve</b> appointment of recommended Development Partner	Development Partner Business Case	March 2023
Gateway 3b	Contract signature. 'Readiness for Service' prior to 'going live' and implementation of the scheme.			
Gateway	Final Scheme approval	<b>Approve</b> the Final	Full Business Case	Estimated 2024

Gateway	Descriptor	Review report	Expected review date
4		Scheme, in alignment with the Development Brief and the terms of the Agreement, prior to the submission of the planning application.	
Gateway 5	'Operational Review and Benefits Realisation' following delivery of the project, establishment		

Guide to developing the project business case (modified)

### 1.4 DEVELOPMENT SITE BOUNDARIES

The map below shows the boundaries of the defined site, which will be subject to the Agreement:



The area outlined in red represents the defined site that will be included within the Agreement. The area to be included in the Agreement includes only Council-owned land excluding the M&S

leased land and is referred to as the 'defined site. Areas A and B comprise 3.68 acres (1.49 ha). The area hatched denoting WCC freehold, highways adopted and access rights to St Clements Surgery comprises 0.06 acres (0.02 ha).

## 1.5 CONCLUSION

This Development Partner Business Case expands on the work undertaken at the OBC stage and explains the procurement process undertaken to identify a recommended Development Partner.

This Development Partner Business Case concludes the following for each element of the Green Book approach:

**The Strategic Case** has re-confirmed the strategic objectives and the case for change, outlined in the OBC, for the redevelopment of CWR remain fit for purpose and relevant. The Development Brief, which sets out the requirements for the redevelopment of CWR, has been re-confirmed as fit for purpose and relevant. The Strategic Case highlights the addition of one objective which has been added to the Development Brief. This additional objective is in relation to the requirement for the Development Partner to identify opportunities for income replacement and enhancement for WCC, within the parameters of the scheme. The Strategic Case highlights a number of constraints including the current economic outlook, viability, affordability and funding which will be the responsibility of appointed Development Partner to navigate.

**The Economic Case** has re-confirmed the delivery model and critical success factors that were recommended within the OBC remain fit for purpose. The Economic Case sets out the long list and short list evaluation scoring and demonstrates that there was a strong level of market interest in the opportunity with high quality final tenders received. A recommended Development Partner has been identified. The benefit cost ratio analysis (BCR) set out at OBC stage has been revisited and confirms that despite a worsening economic climate that a favourable return is still achievable. The BCR will be updated by WCC at FBC stage in line with the final scheme which is produced by the Development Partner.

**The Commercial Case** sets out the conduct of the procurement and the commercial arrangements to be entered into with the recommended Development Partner. It is confirmed that the procurement adhered to the rules set out in the 2015 Regulations e.g. rules surrounding openness, transparency, non-discrimination, and confidentiality. It is confirmed that the



Selection Questionnaire (SQ) evaluation and selection of bidders to be invited to participate in the dialogue stage was carried out in accordance with the published evaluation criteria. It is confirmed that the evaluation of the final tenders has been carried out in accordance with the published evaluation criteria.

**The Financial Case** sets out the financial affordability of the CWR project upon entering the Agreement. The Financial Case sets out the provisions and mechanisms contained within the Agreement that allow WCC to review, check and influence the final scheme for CWR from an affordability perspective. Once the Development Partner generates a scheme for the CWR site, the actual financial affordability position for WCC can be appraised. This will be reflected in the FBC, prior to the submission of the planning application.

**The Management case** sets out the project management and governance arrangements to facilitate successful delivery. The Agreement includes the governance arrangements for the project and the on-going engagement and authorised approvals between WCC and the Development Partner. A clear governance structure for the project has been set out; defining the roles, responsibilities and associated decision making of the project board, project team, quarterly reviews and updates to the Cabinet Committee: Regeneration. Ongoing resource requirements for WCC have been assessed alongside associated consultant support to ensure the successful management of the Agreement.

This Development Partner Business Case confirms that the justification for the redevelopment of CWR remains fit for purpose and the procurement exercise undertaken has successfully identified a recommended Development Partner to deliver the vision for the site. The justification to progress the project is set out and it is recommended that Cabinet progress to enter into the Agreement with the recommended Development Partner. Based on the above, this Development Partner Business Case is presented to Cabinet as the basis for decision making to enter into the Agreement and proceed to the next stage of the Full Business Case.

Signed:

Date:

Senior Responsible Owner

Project team

## **2 THE STRATEGIC CASE**

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### **2.1 INTRODUCTION**

The purpose of the Strategic Case is to re-confirm the strategic objectives for the redevelopment of CWR. The requirements as per HM Treasury's The Green Book (Central Government Guidance on Appraisal and Evaluation) and HM Treasury's Guide to Developing Project Business Case 2018 (Better Business Cases - For Better Outcomes) for the Strategic case have been met.

### **2.2 STRATEGIC CONTEXT**

The regeneration of Central Winchester brings forward proposals to fulfil WCC's strategic objectives through the development and regeneration of the CWR defined site. The Outline Business Case sets out the Strategic Case for the redevelopment of CWR and should be referred to for full context. The Strategic Case which is set out in the Outline Business Case is confirmed as fit for purpose and still relevant.

The Development Brief (Appendix A of Cabinet Report 3371 dated 6<sup>th</sup> March 2023) sets out the requirements for the redevelopment of CWR and is confirmed as fit for purpose and still relevant. Readers of this document should also refer to the Central Winchester Regeneration Supplementary Planning Document (SPD) 2018.

The information set out within this Strategic Case will not repeat what has been set out in the Outline Business Case, the Development Brief and the CWR SPD but will instead highlight to the reader updates to the information.

### **2.3 KEY OBJECTIVES**

#### **2.3.1 Investment Objectives**

The investment objectives that are set out in Section 4.3 of the Development Brief (Appendix A of Cabinet Report 3371 dated 6<sup>th</sup> March 2023) remain unchanged and have been re-confirmed as an appropriate strategic fit for the project. The objectives aim to address the issues which are currently contributing to Winchester's imbalanced age demographic whilst delivering the SPD

objectives and fulfilling the vision previously set out. Under the Agreement the Development Partner has obligations to deliver these investment objectives.

The key update to the Investment Objectives, since the publication of the OBC and the Development Brief is in relation to WCC's income replacement requirements (as income from WCC's existing assets within the red line will be lost as each phase of the redevelopment begins). Given WCC's financial position following recent macro-economic turmoil and levels of inflation, bidders were informed that WCC had a new objective, namely replacement or enhanced income from the site. This means that the Development Brief has been modified to include a requirement on the Development Partner to identify a means for securing income replacement (against the £720,000 currently received) or capital receipt equivalent within the parameters of the scheme. That figure is a hard target to meet, because the quality and timing of income may be equally important, and any income replacement may involve an impact on other stated development objectives. The Agreement was also amended by WCC in order to introduce this new requirement, and the recommended Development Partner has agreed to this.

## **2.4 ENGAGEMENT WITH STAKEHOLDERS SINCE THE APPROVAL OF THE PROCUREMENT PROCESS**

1. There has been significant engagement to date with the community and key stakeholders to ensure that the proposals for the development of CWR and the procurement of the Development Partner comes forward in a collaborative manner. These are set out in the 22.12.21 Cabinet Report Document Pack CAB3322 at Section 6. The Cabinet met on 22nd December 2021 and approved the recommendations set out in Cabinet Report CAB3322. This decision approved a procurement process to source a Development Partner and the associated procurement documents and evaluation criteria.
2. The procurement process was launched on 17th March 2022 with the publication of the Contract Notice and since then WCC has been undertaking the process of sourcing a Development Partner. The procurement process has been carried out in accordance with the Public Contracts Regulations 2015 which requires the strict application of selection and tender evaluation criteria along with confidentiality for bidders and their commercial positions. Through the process members and the CWR Reference Group have had two opportunities to engage:

- Members and the CWR Reference Group were invited to undertake site visits of the shortlisted bidders' previous projects. These site visits were organised by officers and enabled the group to visit two case studies put forward by each of the three shortlisted bidders. This was an opportunity to become familiar with the quality of previous projects undertaken by the shortlisted parties. The site visits were carried out on a 'for information only' basis and do not form part of the tender evaluation criteria.
- The shortlisted bidders were invited to undertake two presentations, one to members and one to the CWR Reference Group. The purpose of these presentations was to enable the bidder to introduce their organisation, team, track record and set out their approach to the development of CWR. The presentations were carried out on a 'for information only' basis and did not form part of the tender evaluation criteria however bidders did receive written feedback from both groups.

## **2.5 THE ROLE OF THE DEVELOPMENT PARTNER**

The role of the Development Partner is set out in full in Section 5.2 of the Development Brief (Appendix A of Cabinet Report 3371 dated 6<sup>th</sup> March 2023).

Through the procurement process, a Development Partner has been identified to deliver the CWR development. Bidders have been assessed against the criteria established under the OBC in order to select a Development Partner with the right skills, resources, commitment, approach and proven track record to deliver WCC's vision and investment objectives. On adoption of the recommendation, WCC will enter into the Agreement with the recommended Development Partner, which provides a structure in which objectives, roles and responsibilities are clearly delineated.

The Development Partner will provide its development expertise, equity investment and access to private funding and will have the obligation to deliver the development. The Development Partner will bring forward the development in stages with WCC transferring the land to the Development Partner on a long leasehold basis. WCC's role will be to ensure adherence to the Agreement through a contract management governance structure. WCC will be required to provide approvals and consents under the terms of the Agreement.

## **2.6 THE CASE FOR CHANGE**

The case for change outlined in Section 2.3 of the Outline Business Case is unchanged and remains a strategic fit for the project.

## **2.7 CONSTRAINTS**

### **2.7.1 Economic Context**

The economic outlook for the UK in 2023 is very challenging, albeit there is expected to be some tentative evidence of green shoots in the second half of the year. Multi-quarter recessions are expected and whilst inflation and interest rates are expected to fall back over 2023, the economic headwinds are likely to remain for some time. In the first half of 2023 in particular, this will likely erode spending power, squeeze credit demand and budgets, and weaker global growth will weigh on trade. Risks to the outlook have been skewed to the downside mainly due to concerns around energy: shortages, rationing, and price spikes resulting from the sanctions on Russia. However, with energy prices having fallen back significantly since the end of 2022, when many economic forecasts were compiled, and China moving out of its zero-Covid policy, the distress may prove to be shorter lived than was once anticipated. Excessive tightening of monetary policy is also a key risk.

Positively, the recession is widely forecast to be short and shallow with a recovery expected around the middle of 2023. Consumer spending and business investment will likely bear the brunt of cutbacks, with offsetting support from fiscal spending and weaker currencies. Economic scarring – unemployment, insolvency, wealth destruction – looks likely to be limited, meaning there is a strong likelihood for a rapid rebound in growth late in the year and in to 2024.

The wider economic context has a significant bearing on the development of CWR as troubling economic headwinds need to be ridden through without eroding the vision for the site. The key elements which are likely to impact the development are increased build costs and supply chain issues, reduction in labour supply which is impacting construction sites across the country and increased cost of borrowing which will add to the cost of debt associated with the development. The economic context also has implications for securing tenants and residents for the built product as the macro environment suppresses business appetite to take on new space and the cost-of-living crisis and increased interest rates squeezes affordability for home purchases.

However, whilst the requirements and selectivity of tenants and residents is set to intensify, it is expected that higher prices will be attached to more sustainable assets.

### 2.7.2 Viability

Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. It will be the Development Partners' responsibility to ensure the commercial viability of the site.

The mix of uses which meet the investment objectives for the project will likely not return the highest land value to WCC. In this regard, viability will be determined by the Development Partner as a function of whether their development costs and project revenues will generate an acceptable financial return. The financial return for the Development Partner has been assessed as part of the procurement process and will be fixed in the Agreement. Any surplus is then the residual land value that is paid for the land being transferred or an income stream which WCC will receive from the built and let product. The investment objectives for CWR are such that the land value will be suppressed, but in return for the achievement of the investment objectives (since these have not been established merely in order to generate a maximum land value for WCC).

### 2.7.3 Affordability

It is important to consider affordability in the context of WCC's overall financial position and one of the key principles of the CWR project is affordability to WCC. The development will be affordable to WCC if the revenue consequences (i.e. the ongoing annual cost) of the investment in CWR can be offset through income or capital receipts received from the sale of the land or sustainably subsumed within the annual budget and Medium Term Financial Strategy (e.g. by using existing resources; making offsetting savings; and/or generating additional income).

### 2.7.4 Funding

The Development Partner will be responsible for securing funding to deliver the development either through its own resources or via third parties or a combination of these. The Development Partner will also explore grant funding options and will utilise their expertise to put forward bids. There may be certain grant funding options which are only accessible by WCC as the public sector and as such WCC will look to apply for relevant external funding grants, with support from the Development Partner, at appropriate points as the development moves forward.

## 2.8 CONCLUSION

The Strategic Case has re-confirmed the strategic objectives and the case for change, outlined in the OBC, for the redevelopment of CWR remain fit for purpose and relevant. The Development Brief, which sets out the requirements for the redevelopment of CWR, has been re-confirmed as fit for purpose and relevant. The Strategic Case highlights the addition of one objective which has been added to the Development Brief. This additional objective is in relation to the requirement for the Development Partner to identify opportunities for income replacement and enhancement for WCC, within the parameters of the scheme. The Strategic Case highlights a number of constraints including the current economic outlook, viability, affordability and funding which will be the responsibility of appointed Development Partner to navigate.

## **3 THE ECONOMIC CASE**

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### **3.1 INTRODUCTION**

In accordance with the requirements of HM Treasury's The Green Book (Central Government Guidance on Appraisal and Evaluation) and HM Treasury's Guide to Developing Project Business Case 2018 (Better Business Cases - For Better Outcomes), this section of the Development Partner Business Case summarises and re-confirms the delivery model that was recommended within the OBC. This case sets out the process undertaken to identify the recommended Development Partner.

Furthermore, the Economic Case re-visits the Benefit Cost Ratio (BCR) analysis undertaken at the OBC stage and provides an update on this in the context of the changing economic climate.

### **3.2 ECONOMIC APPRAISAL OVERVIEW**

As part of the OBC, a BCR of the socio-economic benefits of the proposed development of the CWR programme was prepared based on the Development Proposals. The reader should refer to OBC for full details. The BCR is a ratio used to summarise the overall relationship between the relative costs and benefits of development at CWR.

The BCR analysis has not been re-run for the purpose of this business case. The analysis set out in the OBC was based on the development proposals, while this analysis is still very relevant, the development proposals have now been superseded by the recommended Development Partners' approach to use mix and quantum. The recommended Development Partner has not been required to produce a scheme as part of the Final Tender and therefore the BCR calculations cannot be re-run at this stage with certainty. The BCR will be reviewed and updated as part of the FBC, following the confirmation of the final scheme by the Development Partner, prior to the submission of the planning application.

Subsequent to the OBC being prepared, a number of economic factors will have impacted the BCR assumptions. These impacts include higher levels of inflation, primarily driven by higher utility costs resulting from the Ukraine conflict, a contraction in the economy, increasing unemployment and supply chain issues relating to cost and timing of delivery of building materials. This will impact the benefit assumptions related to employment income, retail and hospitality spend in varying degrees, but more noticeably will impact the cost of development.



The qualitative and quantitative benefits outlined in the OBC were very favourable with section 3.6 of the OBC anticipating 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 Development Partner. The change in economic climate since the OBC is likely to have reduced this this ratio.

Sensitivity analysis set out at 3.6.4 of the OBC shows the outcome of a low (5%), medium (10%) and high (20%) optimism bias as follows:

Table 3: Sensitivity Analysis as set out in OBC

	Base	Low (5%)	Medium (10%)	High (20%)
Optimism bias description	As per the OBC assumptions	5% increase in build costs. 5% decrease in benefits.	10% increase in build costs. 10% decrease in benefits.	20% increase in build costs. 20% decrease in benefits.
Outcome- All Economy	£2.68	£2.54	£2.41	£2.14

OBC November 2021 - JLL& WCC (adapted to add optimism bias description)

Taking into account key economic factors such as inflation currently standing at around 10%, according to the Consumer Prices Index (CPI), and the Office for National Statistics (ONS) reporting an annual rate of construction output price growth (build cost) of 9.6% in the 12 months to June 2022 the Medium sensitivity output set out above is more relevant to consider in the current climate. The Medium sensitivity analysis increases build costs by 10% and also reduces the economic benefits by 10% therefore negatively impacts the assessment from both stand points and provides a cautious assessment of the current climate. Therefore, for every £1 spent on development would produce £2.41 of total economic benefit over a 15 year period. This is lower than reported at the OBC stage however it is still a very favourable result. Should the economic climate decline further the ‘High’ sensitivity scenario should be considered, while lower still at £2.14 this still presents a favourable position.

### 3.3 CONFIRM THE DELIVERY MODEL

A comprehensive assessment of the long-listed delivery options that were considered is set out at Section 3.4 of the OBC.

On 22<sup>nd</sup> December 2021, the Cabinet approved the recommendation to move forward and procure a Development Partner for the defined site, on the basis of a Development Agreement. This decision was also approved by Full Council on 12<sup>th</sup> January 2022.

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

### **3.4 CRITICAL SUCCESS FACTORS (CSF)**

The key CSFs for the project were developed iteratively over time through a mix of key stakeholder engagement and public participation. The final set of CSFs, as set out in Section 3.3 of the OBC, were presented to the Cabinet on 15<sup>th</sup> June 2021 and were endorsed by them at this meeting. The CSFs were approved again when presented to Cabinet on 22<sup>nd</sup> December 2021 and Full Council on 12<sup>th</sup> January 2022 when the OBC was approved. It is confirmed that the CSFs remain fit for purpose.

### **3.5 EVALUATION OF TENDERS**

#### **3.4.1 Long List**

The procurement regulations and its implementation ensure that no distortion of competition or violation of procurement principles will occur. All bidders have access to the same information and the procurement process ensures that all bidders are assessed on an equal footing as per prevailing procurement legislation; The Public Contracts Regulations 2015 (2015 Regulations). A full description of the procurement process is set out in the Commercial Case (section 4).

Following a contact notice that gave interested parties' full opportunity to express interest, any entity wishing to express interest was required to submit a completed Selection Questionnaire (SQ) with supporting information. In particular, bidders were required to put forward relevant

case studies to illustrate their Technical and Professional Ability of carrying out projects of a similar nature. Bidders were also required to provide information relating to their Economic and Financial Standing and needed to satisfy mandatory compliance processes. Thirteen bidders expressed interest and submitted a completed SQ with supporting information.

Based on the submitted SQs, WCC carried out an evaluation based on the criteria and method set out in the published SQ in order to shortlist bidders. This has been summarised in Table 4. The thirteen bidders have been anonymised as Bidder A to Bidder M.

Please note that a copy of the SQ evaluation questions, weightings and scoring criteria can be found at Appendix Ci. The moderated scoring at SQ stage can be found in Exempt Appendix Ciii. Bidders that failed the grounds for mandatory exclusion (in this case none) or the economic and financial standing tests (one failed) were not shortlisted.

Table 4: Long list evaluation1:

Supplier	Technical & Professional Ability %	Grounds for mandatory exclusion	Ground for discretionary exclusion	Economic and financial standing
Bidder A	20.00%	PASS	PASS	PASS
Bidder B	57.50%	PASS	PASS	PASS
Bidder C	56.75%	PASS	PASS	PASS
Bidder D	30.50%	PASS	PASS	PASS
Bidder E	93.50%	PASS	PASS	PASS
Bidder F	43.25%	PASS	PASS	PASS
Bidder G	44.00%	PASS	PASS	PASS
Bidder H	46.25%	PASS	PASS	PASS
Bidder I	66.50%	PASS	PASS	PASS
Bidder J	56.00%	PASS	PASS	PASS
Bidder K	72.50%	PASS	PASS	FAIL
Bidder L	67.25%	PASS	PASS	PASS
Bidder M	50.00%	PASS	PASS	PASS

JLL/WCC

The scores obtained by those shortlisted do not carry forward into the tender stage (and under the 2015 Regulations it is prohibited to do so). However, Bidders have confirmed no change in their economic and financial standing, which has been independently verified through re-applying the selection questionnaire tests of ratio analysis and credit agency checks, in February 2023.

### 3.4.2 SHORT-LIST

Based upon the evaluation of each bidder against the Technical & Professional Ability, grounds for mandatory exclusion, grounds for discretionary exclusion and economic and financial standing criteria in Table 4, the shortlisted bidders were:

1. Bidder E
2. Bidder I
3. Bidder L

These bidders were issued the Invitation to Participate in Dialogue (ITPD) and the unsuccessful bidders were notified at this time.

The evaluation criteria outlined in the ITPD was designed to ensure that proper weighting is given to quality and commercial factors (and then to key investment objectives, by reference to the SPD and Development Brief). Dialogue meetings were facilitated which enabled WCC to conduct a staged process so that bidders were able to refine and improve their proposals, submitting outline proposals and then detailed submissions, before making their Final Tender submissions.

Please note that a copy of the Final Tender Evaluation questions, weightings and scoring criteria can be found in Appendix Cii.

A summary of the scores at Final Tender stage of the shortlisted bidders against the evaluation criteria outlined in the ITPD has been captured in Table 5 below.

Table 5: Summary of Shortlisted bidders Performance

Shortlisted Bidder	Quality (70%)	Commercial (30%)	Total
Bidder E	62%	20.29%	82.29%
Bidder I	44%	13.62%	57.62%
Bidder L	53%	21.20%	74.20%

JLL/WCC

Please note that a breakdown of the final scores at Final Tender stage, in line with the evaluation criteria, can be found in Exempt Appendix Civ.

### 3.4.3 Recommended option

In light of evaluation against the weighted criteria set out in the ITPD, the bidder that scored the highest overall score is Bidder E. Bidder E is referred to as the recommended Development Partner. Upon appointment, final steps will be taken to reach a contract close (i.e. signing of the Agreement).

## 3.6 EVALUATION OF FINAL TENDERS

### 3.6.1 Introduction

The table below sets out an overview of the responses received and themes which emerged from the Final Tenders and dialogue discussions with the three shortlisted bidders.

#### 3.6.1.1 Quality evaluation

Table 6: Summary of the Quality Evaluation from the Final Tenders

QUALITY		
Question number	Evaluation Sub-criteria	Narrative
1. Approach	A Approach to delivering a mixed-use quarter	The shortlisted bidders put forward their approach to realising the Investment Objectives for the site. The approach from all three bidders to a greater or lesser degree, was focused on ensuring that 'Winchesterness' was central to the design of the scheme and bidders generally demonstrated commitment to the principles of the SPD. All three bidders committed to delivering increased permeability through the site with a focus on car free, other than statutory requirements. Bidders arrived at differing proposals in relation to use class proportions for the site, however all were within the ranges set out within the SPD.
	B Approach to high quality public realm and placemaking	The shortlisted bidders set out their approach to ensuring exemplary design quality across the site's uses and public realm. There was a focus from bidders on selecting architectural teams, which have the track record and experience, to deliver high quality product that understand 'Winchesterness' which would ensure that quality is embedded in the design process. The bidders explained how their approach would respond to the SPD with a focus on ensuring the design is sensitive to the historical context of the site while increasing permeability and delivering a mix of high-quality public spaces. Bidders' approach to the delivery of a vibrant retail, cultural and heritage offer on the site was grounded in the need for this new place to be complementary and not competitive to Winchester's established High Street, retail streets and established heritage offers. The focus from all bidders for the site was on the delivery of creative/ maker space through the new creative quarter which would provide space for small/startup businesses however

		<p>the indicative thoughts on the quantum of this type of space varied between bidders. All bidders proposed working closely with local businesses and cultural organisations to develop the design for the site and explore future partnerships. Bidders also put forward their approach to the preservation of archaeology on site. All bidders had appointed an archaeological specialist to advise on the approach to archaeology which was consistent with the recommendations made by the CWR Archaeology Advisory Panel. Bidders set out their approach to mitigating the risks associated with archaeology and also how the public could be engaged through the process. The three bidders put forward different proposals for the long-term management of the site which included proposals for the establishment of a Management Company (ManCo) and one proposal for the creation of an Estate Trust. All three bidders envisaged WCC being a stakeholder in the long-term management of the site, for example forming part of the management board.</p>
C	Approach to engagement	<p>The shortlisted bidders set out their approach to meaningful engagement with the public and stakeholders. All bidders had undertaken stakeholder mapping to understand the Winchester engagement landscape. The bidders fully understood the importance of engagement and put forward ideas to ensure that all voices could be heard in a balanced way which would involve a mix of techniques including in person events and online and social media outreach. Creative ideas were put forward to enable engagement in different settings, for example through utilising meanwhile use interventions to engage local people in conversations about the development.</p>
D	Approach to sustainability	<p>The shortlisted bidders demonstrated a clear understanding of WCC's sustainability policies, ambitions and commitments. The bidders set out how they would ensure principles of sustainable development were incorporated in the design and delivery of the scheme with ideas put forward such as the incorporation of the 'local champions' to inform the design and approach to creating social and environmental value. Bidders set out their approach to Net Zero Carbon, circular economy and the enhancement of biodiversity with varying levels of ambition demonstrated. Bidders put forward their approach to achieving building accreditations which included aspirations to achieve accreditations such as BREEAM, Passivhaus standards, Well Standards, LETI and WellFit. Bidders also put forward their approach to the long-term improvement of the economic, social and environmental wellbeing of the area which included proposals for the long-term monitoring of social value against a baseline position and collaboration with existing local organisations.</p>
E	Approach to meanwhile uses	<p>The shortlisted bidders put forward their approach to the early activation of the site through the delivery of meanwhile uses. The scale and scope of the proposed interventions varied between bidders however all bidders understood the benefits of early activation of vacant parts of the site. Ideas put forward for meanwhile uses included building on the activation of Kings Walk, the creation of a container village to provide studio space, public</p>

			realm enhancements and a programme of events to promote activation of the site and engagement with the community.
2. Planning		Planning Strategy	The shortlisted bidders put forward their proposed planning strategy for the site, including the preparation and submission of planning applications. Bidders demonstrated an understand of Winchester’s planning context including the CWR SPD and the implications of the emerging local plan. Bidders envisaged putting forward applications for meanwhile use interventions in advance of a hybrid planning application for the site which would involve a detailed phase 1 application with an outline consent on the remainder. Bidders set out their approach to mitigating planning risk which included the approach to archaeology and the negotiation of the S106 agreement.
3. Team	A	Deployment of Core Team	Bidders set out the core team that would be assigned to the project, detailing why each individual had been chosen and the role and responsibilities that they would carry out. This included members of the contracting organisation as well as consultant team appointments including, but not limited to, lead architect, engineer, sustainability consultant and community engagement consultant. CVs were provided for all key personnel to enable WCC to assess the depth of expertise of the teams put forward which varied between bidders. All bidders put forward their approach to client engagement with WCC through setting out methods of communication, project governance and accountability through the delivery of the project.
	B	Partnering and Procurement	Bidders set out their approach to procuring contractors and other significant members of their supply chain. This included the approach to achieving value for money for WCC. One bidder was able to put forward evidence of supply agreements their organisation had in place which would enable WCC to benefit from discount rates on materials and all bidders demonstrated a clear approach to procurement which would drive best value without diluting quality. All bidders understood WCC’s preference for the use of multiple architecture practices (as set out in the SPD) and committed to this including the use, where possible, of local practices. All bidders set out their approach to ensuring that social value is embedded in supply chain appointments including (but not limited to) sustainability, diversity and inclusion and the use of SMEs where possible. This was accompanied by an approach to measuring social value commitments embedded through the supply chain.

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### 3.6.1.2 Commercial evaluation

Table 7: Summary of the Commercial evaluation from the Final Tenders

COMMERCIAL		
Question number	Evaluation Sub-criteria	Narrative
4. Market	Market	The Bidders put forward their evidenced-based assessment of the appropriate mix of uses to be delivered as a 'creative quarter' on the site. There were similarities and differences with the approaches put forward. The similarities included the desire to provide space for start-ups, locals and independent businesses with a focus on incubating these businesses through meanwhile use strategies on the site prior to the delivery of the space. The Bidders all would look to provide a range of types of space (for example, workshops, artist studios, workspace) and unit sizes. The differences between bids related to the approach to the quantum of space to be delivered as a creative quarter and the approach to ensuring the space was affordable for the end user profile desired by WCC. Bidders set out their approach to defining the appropriate mix of residential products, all bidders stated the desire to provide the policy level of affordable housing (40%) alongside a mix of private residential and two bidders suggested the potential incorporation of a private rented product. One bidder's approach involved their long-term involvement in owning and managing all private rented tenure residential and proposed a tenure blind approach to ensure flexibility to flex to a private sale product if the market changes. All bidders put forward their approach to the marketing and letting of commercial space. There was a divergence between bidders in relation to securing pre-lets for the development with one bidder specifying that development was not subject to pre-lets with the other two bidders seeking or requiring an element of pre-let prior to the commencement of development.
5. Finance	A Financial submission	Bidders were required to fill out a case study financial template based on a hypothetical phase 1 development. The hypothetical phase 1 was based on fixed quantum as per the Development Proposals and covered residential (including 40% affordable housing <sup>1</sup> ) and commercial space (including retail, food and beverage, office and creative/market space). Bidders were required to input their use class mix and provide build costs and value assumptions alongside other appraisal inputs such as contingency, development management fee and developer profit. Bidder's approach to values varied quite considerably however build costs proposed were relatively consistent as were the required levels of developer return. The evaluation of this question was based on the land value returned from the appraisal with the bidder producing the highest value receiving the maximum score and the 2 <sup>nd</sup> and 3 <sup>rd</sup>

<sup>1</sup> The inclusion of 40% affordable housing was a fixed assumption for all bidders to ensure comparability between tenders. The emerging Local Plan may change the policy position for the provision of affordable housing on the site and this will be addressed by the Development Partner when designing the scheme.



		land values receiving a proportionally discounted score.
	B Commercial narrative	Bidders provided commentary and supporting evidence to justify the cost, value and appraisal assumption inputted to the financial template submitted at question 5A. The evidence provided to justify the inputs also needed to demonstrate consistency with the approach that the bidder put forward in their responses to Quality questions. All three bidders provided an adequate response to the question.
6. Legal	Legal	Bidders were provided with a draft Development Agreement and legal commentary table that they were required to mark up and complete with proposed changes and covering narrative. The level of amends put forward varied significantly between bidders with one providing an extensive mark up on the drafting, one putting forward a number of changes which were not extensive and one only suggesting minimal changes. All of the drafting and commercial points were discussed with bidders in dialogue. Points raised were settled either as agreed or rejected and none were agreed which were unacceptable to WCC. There were some key themes which emerged from Bidders' responses which included, for example, discussion on the mechanisms which govern the grant of the building lease which then changes to a long leasehold on practical completion of the phase of development and the timescales associated with the long-stop arrangements.

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### 3.7 RECOMMENDED DEVELOPMENT PARTNER

Please refer to the Summary of Recommended Development Partner's response to the Central Winchester Regeneration Development Brief (Appendix B of Cabinet Report 3371 dated 6<sup>th</sup> March 2023) which sets out the recommended Development Partner's approach to realising the objectives set out in the Development Brief.

### 3.8 FUTURE SCHEME CONFIRMATION

Following the appointment of the recommended Development Partner and entering into the Agreement, the final scheme for CWR will be prepared by the Development Partner for approval by WCC in accordance with the terms of the Agreement, prior to the submission of the planning application. Based on this scheme, the BCR will be reviewed and updated to ensure that the categories of benefits, values and timings are set out. The benefits identified as part of this process will then be baselined so that they can be tracked as part of the benefits realisation monitoring during and post development. The Full Business Case will set out the updated BCR analysis.

### **3.9 CONCLUSION**

The Economic Case has re-confirmed the delivery model and critical success factors that were recommended within the OBC remain fit for purpose. The Economic Case sets out the long list and short list evaluation scoring and demonstrates that there was a strong level of market interest in the opportunity with high quality final tenders received. A recommended Development Partner has been identified. The BCR analysis set out at OBC stage has been revisited and confirms that despite a worsening economic climate that a favourable return is still achievable. The BCR will be updated by WCC at FBC stage in line with the final scheme which is produced by the Development Partner.

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## 4 THE COMMERCIAL CASE

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### 4.1 INTRODUCTION

This section of the Business Case explains the conduct of the procurement and the commercial arrangements to be entered into with the recommended Development Partner. Building on the recommendations in the OBC, WCC has conducted the procurement with a view to entering into the Agreement.

The Selection Questionnaire evaluation questions, weightings and scoring model (Stage 1) and the Invitation to Participate in Dialogue evaluation questions, weightings scoring model (Stage 2) can be found at Appendices A and B.

The preferred option adopted by WCC under the OBC, and secured via the procurement, will enable the development to be brought forward in a comprehensive manner by one party, whilst also allowing WCC to retain suitable controls over the development through the terms of the Agreement. The procurement method carried out means that WCC has managed a Development Partner selection process to choose a partner that will deliver the Council's aspirations for the site. As addressed in the OBC, this route enables, as appropriate, the opportunity for phased delivery and bringing forward projects on individual sites by multiple design and contractual teams, as envisaged in the SPD. The recommended Development Partner is a consortium and therefore is aligned with the SPD's vision for specialist entities to deliver phases. This route ensures the optimal outcome for the site as it will allow for the cross-subsidy of high value uses to support the delivery of lower value uses and the comprehensive delivery of the associated public realm.

As is evident from the market interest expressed at Stage 1 (SQ) and by the shortlisted bidders' participation in the dialogue, the route chosen and pursued has delivered competitive tension throughout the procurement process.

## 4.2 THE PROCUREMENT PROCESS

### 4.2.1 Procurement Legislation

To procure the Development Partner, WCC has followed prevailing procurement legislation, namely the Public Contracts Regulations 2015 (2015 Regulations). The replacement legislation, referred to in the OBC is not yet in force.

### 4.2.2 The 2015 Regulations

WCC took the opportunity to market under the Competitive Dialogue procedure (CD) under the 2015 Regulations. That 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” (Regulation 26).

In the case of CWR, whilst WCC’s objectives are set out in the Development Brief (building on other documents, including the SPD), the exact means by which CWR is to be delivered and (for example) the phasing, cannot be specified. Therefore, the use of CD was fully justified and consistent with how schemes of this nature are frequently brought to market. Through dialogue WCC has therefore engaged with prospective development partners (i.e. the bidders) to “identify the solution or solutions which are capable of meeting its needs” (Regulation 30).

Through dialogue with the bidders, WCC has ensured that the bidders (including the recommended Development Partner) submitted proposals which aligned with the objectives of WCC, and the requirements set out in the Development Brief (Appendix A of Cabinet Report 3371 dated 6<sup>th</sup> March 2023) (including the key requirements).

It was recognised at OBC stage that the developer market, whilst averse to protracted procurement under CD, are familiar with this procedure and will respond to the opportunity provided that WCC’s overall approach is proportionate and that the tender requirements are not unduly onerous. Accordingly, the procurement process, whilst comprehensive, was designed to avoid unnecessary dialogue and was undertaken in a streamlined, efficient and focussed way.

As reported at OBC stage, the 2015 Regulations lay down the process that WCC must follow and is tied to general principles, namely that WCC 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). These core principles, and the procedural requirements of the 2015 Regulations have been observed.

#### 4.2.3 Procurement method

The procurement approach was designed to ensure a robust methodology for selection of bidders and the eventual award of the contract to the successful bidder.

The five key stages were:

- **Contract Notice:** A published notice giving interested parties full opportunity to assess whether to express interest. This involved providing access (via the procurement portal adopted by WCC) to the procurement documents (i.e. selection questionnaire; development brief; draft development agreement; draft tender invitation document; and other supporting background materials). The published contract notice was augmented by additional publication in relevant media (e.g. the Estates Gazette).
- **Selection Stage:** Bidders wishing to express interest were required to submit a completed selection questionnaire (SQ), with supporting information (e.g. annual accounts). The SQ was in the standard prescribed format, together with project specific questions aimed at eliciting relevant prior experience and at enabling consideration of financial standing. In particular, bidders were asked to put forward relevant case studies to illustrate their experience of carrying out projects of a similar nature. The questions asked were carefully drawn up to elicit experience of relevance to CWR and the investment/strategic objectives. Based on the submitted SQs, and the criteria set out in Appendix Ci, WCC evaluated the thirteen expressions of interest based on the criteria and method set out in the published SQ in order to shortlist bidders.
- **Tender Stage:** The competitive dialogue was undertaken with a view to establishing the solution best suited to WCC's requirements (as described via the Development Brief). The tender invitation set out the form of the required submission (i.e. tender) and the evaluation criteria and evaluation methodology of WCC. The criteria were designed to ensure that proper weighting is given to quality and commercial factors (and then to key investment objectives, by reference to the SPD and Development Brief). Dialogue enabled WCC to conduct a staged process, so that bidders were able to refine and improve their proposals,

submitting outline proposals and then detailed submissions, before making final submissions.

- Tender Evaluation: The final submissions have been evaluated and some further fine tuning and clarification has been undertaken with all three bidders prior to finalising the evaluation.
- Recommended Development Partner: Assuming the Business Case recommendations are adopted, the successful bidder will be appointed, and then final steps taken to reach a contract close (i.e. signing of the Agreement. This stage may involve some further clarifications and confirmations prior to signing.

#### 4.2.4 Conduct of the procurement

In line with the OBC report and recommendations, the procurement adhered to the rules set out in the 2015 Regulations e.g. rules surrounding openness, transparency, non-discrimination, and confidentiality. In particular:

- Parties wishing to express interest at SQ stage had access to the procurement pack and therefore the Development Brief, draft ITPD (Invitation to Participate in Dialogue), Commercial Principles Paper, draft Development Agreement and other supporting papers. This ensured that the market had full visibility over the scope of the scheme, WCC's requirements, and the procurement approach.
- The SQ evaluation, and selection of bidders to be taken into the dialogue stage was carried out in accordance with the published criteria.
- The dialogue stage was implemented in a way so that no distortion of competition or violation of procurement principles would occur. All bidders had access to the same information and the procurement process treated all bidders on an equal footing. For example, the same number of meetings were held with all three bidders and on an equivalent basis as to agenda and length of meeting time provided for.
- The commercial confidentiality of each Bidder's proposal and the questions raised on that basis was preserved (and must continue).

The evaluation of the final tenders submitted has been carried out in accordance with the published criteria (and not by reference to other factors). A recommended Development Partner has been selected by reference to the evaluation criteria. The decision to be taken by WCC under this Business Case must therefore adhere to the same principles.

#### 4.2.5 Timescales

The procurement was commenced on 17th March 2022 by way of the publication of the contract notice. This brought the opportunity to the attention of interested parties (i.e. the notice was not issued on a selective basis).

Evaluation and selection of the three shortlisted bidders was made by the 16th May 2022 and the ITPD was issued.

Four sets of dialogue sessions were held. These were scheduled for a full day and all three bidders were given the same opportunity to present their emerging thinking and took questions from the project team managing the process. The meeting agendas covered the quality and commercial questions. Before each meeting, the bidders submitted papers setting out their positions and these were examined and critiqued in the dialogue sessions.

Detailed written feedback was provided throughout the process across all subject areas, together with meeting minutes.

Alongside these dialogue sessions:

- Bidders raised written clarifications through the procurement portal, and answers were provided. Where a matter was of a general nature (i.e. not commercially confidential) these clarifications were issued to all bidders.
- WCC issued unprompted clarifications to assist the bidders in their understanding of the CWR scheme, or to deal with procedural matters (e.g. meeting arrangements).
- All three bidders had the opportunity to make presentations to Cabinet and the CWR Reference Group, with written feedback was provided to the bidders afterwards. This did not form part of the tender evaluation.
- The Dialogue process was supported by external advisers and experts from the CWR Reference Group. The external advisers comprised JLL (property/strategic), Browne Jacobson LLP (legal), and 31Ten (financial). Experts from the CWR Reference Group provided advice on quality and design related matters and archaeological matters.
- Site visits to the shortlisted bidders' previous schemes were undertaken by the Cabinet, Officers and the CWR Reference Group to developments nominated by each bidder. These

were to inform the Cabinet, Officers and the Reference Group but did not form part of the tender evaluation.

- Ad hoc telephone/video conference call sessions were held with each bidder on request to deal with discrete matters (e.g. on project governance). These sessions were offered to all bidders and did not create any discrimination or unequal treatment; they were for the purpose of explanation/clarification.

The overall timetable for the procurement is set out below.

Table 8: Timetable for the Procurement

STAGE	TARGET DATES
<b>Stage 1: Selection Questionnaire</b>	
Contract Notice	17 <sup>th</sup> March 2022
Bidder briefing day	6 <sup>th</sup> April 2022
Deadline for receipt of SQ clarification questions	11 <sup>th</sup> April 2022 12:00
Deadline for receipt of completed SQ response	21 <sup>st</sup> April 2022 12:00
Notification of outcome of SQ evaluation	16 <sup>th</sup> May 2022
<b>Stage 2: Invitation to Participate in Dialogue</b>	
Issue Invitation to Participate in Dialogue (ITPD)	16 <sup>th</sup> May 2022
Dialogue Meeting 1	w/c 23 <sup>rd</sup> May 2022
Deadline for submission of the following documents ahead of dialogue meeting 2	29 <sup>th</sup> June 2022 12.00
Dialogue Meeting 2	w/c 11 <sup>th</sup> and 18 <sup>th</sup> July 2022
Feedback on dialogue meetings 2 discussions	w/c 25 <sup>th</sup> July 2022
Submission of Preliminary Solutions	1 <sup>st</sup> September 2022 12:00
Dialogue Meeting 3	w/c 19 <sup>th</sup> and 26 <sup>th</sup> September 2022
Feedback to Bidders on Preliminary Solutions	w/c 26 <sup>th</sup> September 2022
Submission of presentations for w/c 10 <sup>th</sup> October	4 <sup>th</sup> October 2022 12:00
Presentations of Preliminary Solutions to Members and CWR Reference Group	w/c 10 <sup>th</sup> October 2022
Feedback to bidders	w/c 10 <sup>th</sup> October 2022
Submission of compliant Detailed Solutions	3 <sup>rd</sup> November 2022 12:00
Final dialogue meetings and fine tuning of detailed solutions	w/c 14 <sup>th</sup> and 21 <sup>st</sup> November



	2022
Feedback to Bidders on compliant Detailed Solutions	w/c 21 <sup>st</sup> November 2022
Close of dialogue	28 <sup>th</sup> November 2022
<b>Stage 3: Final Tenders</b>	
Call for Final Tenders (FT)	28th November 2022
Deadline for receipt of FT clarification questions from Bidders	29 <sup>th</sup> November 2022 17:00
Deadline for receipt of Final Tender	9 <sup>th</sup> December 2022 12:00
WCC issue clarifications on submitted Final Tender (if required)	21 <sup>st</sup> December 2022
Deadline for Bidder response to WCC clarifications	4 <sup>th</sup> January 2023 17:00
Recommended Development Partner identified	11 <sup>th</sup> January 2023
Cabinet Decision on Recommended Development Partner	6 <sup>th</sup> March 2023
Mandatory Standstill Period	16 <sup>th</sup> March 2023

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### 4.3 KEY CONTRACTUAL ARRANGEMENTS AND RISK APPORTIONMENT

For OBC purposes and to enable parties considering whether to express interest, a commercial principles paper was presented. For the purpose of the dialogue, the engagement with all bidders focused on the draft Agreement (which reflected the commercial principles).

Bidders provided a legal commentary against the Agreement and across the three stages of dialogue these were considered. Bidders raised matters of detail and legal drafting together with more substantive points of commercial principle. That approach was consistent with the purpose of a competitive dialogue and how this type of procurement would ordinarily proceed.

In dialogue, WCC has held to its core requirements and the terms of the draft Agreement, save as mentioned below. In addition, WCC has amplified or adjusted its position on the following matters:

**Income generation:** The original draft Agreement anticipated that land would transfer to the appointed Development Partner on satisfaction of conditions (e.g. planning consent) for payment of a land value at or greater than the land value established prior to the submission of a planning application (and based on a completed appraisal and the level of maximum Development Partner return specified under the Agreement). Given WCC's financial position and WCC's requirement for sustainable long-term financial resilience, bidders were informed that WCC had a fresh development objective, namely satisfying WCC's affordability

requirements for the site. This means that the Development Brief has been modified to include a requirement on the Development Partner to identify a means for securing income replacement (against the £720,000 currently received) or capital receipt equivalent within the parameters of the scheme. That figure is a hard target to meet, because the quality and timing of income may be equally important, and any income replacement may involve an impact on other stated development objectives. The Agreement was also amended by WCC in order to introduce this new requirement. Bidders have all taken up the opportunity to discuss this in dialogue and made comments back as part of their final tender; all accept the general principle and requirement, with comments limited to matters of detail.

**Governance:** Bidders have been informed of WCC's governance requirements by way of a general clarification issued and discussed during dialogue. That clarification amplified the positions set out in the draft Agreement and described the role of a working group, monthly project board, and quarterly meetings with WCC and the Cabinet Committee: Regeneration (information on the purpose and composition of the Cabinet Committee: Regeneration can be found at Section 6.2.2). This governance structure sits alongside the Development Partner's commitment to wider engagement with the community, business groups, and other key stakeholders. Further detail is set out in the Management Case.

**Long stop dates:** The draft Agreement contained the principle that there will be certain long stop dates written into the Agreement, being dates by which the Development Partner must have reached key milestones such as an agreed delivery plan (6 months from signing the Agreement), planning application (24 months from the approved delivery plan) and start on site (3 months from grant of the building lease). In limited prescribed circumstances these long stop dates may extend, but otherwise a failure to meet a long stop date is a termination trigger. The clarification issued in dialogue put time periods against these long stop dates, which were then the subject of dialogue.

**Termination consequences:** The draft Agreement set out the triggers that would entitle WCC to terminate the Agreement for Development Partner breach (and for the Development Partner to do likewise for WCC breach). The clarification issued in dialogue went into the detail of the consequences of termination in these circumstances (as well as for a no-fault termination). These consequences were positioned to avoid a perverse incentive to trigger a default exit; for example, a breach by the Development Partner would result in WCC retaining all payments made and no recovery by the Development Partner of sunk costs. Equally, it was confirmed that

where WCC are in default, the Development Partner will be entitled to recover its sunk costs (e.g. where WCC, without cause, refuse to grant the building lease on satisfaction of the conditions for grant of that lease, thereby frustrating the development being pursued).

**Delivery Plan contents:** WCC issued a clarification to confirm that the initial Development Delivery Plan to be annexed to the Agreement at signing would be drawn from the successful bidder's final tender, i.e. as to:

- Approach to delivering the mixed-use quarter
- Approach to high quality public realm and placemaking (including archaeology)
- Approach to engagement
- Approach to sustainability
- Approach to meanwhile uses
- Planning Strategy
- Deployment of Core Team
- Partnering and Procurement
- Market understanding
- Financials - the fixed Profit (% on cost or GDV) levels required for different use types / tenures and Development Management Fee (% of cost or GDV) and which are also written into the Agreement terms.

This initial Development Delivery Plan will therefore capture the materials developed by the successful bidder during dialogue and provide a strong foundation for building the more detailed Development Delivery Plan (for submission to and approval by WCC). That clarification also confirmed the required content of that later Plan which would follow a similar structure but would include greater detail e.g. the phasing and viability of the scheme they propose (against the Development Brief/SPD requirements).

#### **4.4 KEY ELEMENTS**

The Agreement is not a corporate or contractual joint venture agreement. The Development Partner is fully responsible for the design and carrying out of the development of the Site. The OBC report established the principle, captured in the Agreement, that the requirements of WCC are set out in the Development Brief approved by WCC and issued to bidders.

The Development Brief is scheduled to the Agreement and the Development Delivery Plan must demonstrate how their scheme will meet the Objectives in Part 4 of the Development Brief (now including income replacement/enhancement). The Agreement will allow for a degree of flexibility in how CWR is to be delivered on a phased basis but within the strict parameters and key requirements of the Development Brief (and other important supporting documents such as the SPD).

Proposals for phasing were considered during the procurement process and the Agreement, through the approach to the Development Delivery Plan and its approval, will enable appropriate phased delivery to be determined.

Once approved (noting the long stop date referred to above), the Development Partner will undertake further work to bring forward a planning application for approval by WCC (as landowner), against the test of whether that meets the Objectives. The submitted planning application will be dealt with by WCC as local planning authority.

Thereafter the Development Partner may draw down land.

For further detail on the Agreement, refer to the Development Agreement Summary (Appendix D of Cabinet Report 3371 dated 6<sup>th</sup> March 2023).

#### **4.5 PARENT COMPANY SUPPORT**

All three bidders intended to enter into the Agreement via a special purpose vehicle (SPV), i.e. a corporate entity (company limited by shares or LLP) set up for the sole purpose of delivering the CWR scheme. This is a common approach.

All bidders have confirmed and provided evidence of the performance guarantee that will be provided to WCC in support of that SPV.

#### **4.6 EMPLOYEE AND TUPE CONSEQUENCES**

The resource requirements are described in section 6 (Management Case). There are no TUPE consequences arising from the entering into of the contract (i.e. there is no entitlement for a WCC employee to transfer to the Development Partner as no-one is working wholly or mainly on the project and whose role is moving to the Development Partner or its professional team). On termination, any TUPE position (i.e. statutory right to transfer) would be governed by law,

but in the context of the Agreement (and agreements of this kind generally) no such transfer rights are likely to arise.

#### **4.7 ACCOUNTING TREATMENT**

The accounting treatment for each phase land transaction will vary depending on the specific approach taken in relation to capital receipt received or future income streams secured.

Once the Development Partner has designed the scheme and the financial position for WCC is known the accountancy treatment, and the financial impact, will be assessed in detail as part of the Full Business Case.

#### **4.8 CONCLUSION**

The Commercial Case set out the conduct of the procurement and the commercial arrangements to be entered into with the recommended Development Partner. It is confirmed that the procurement adhered to the rules set out in the 2015 Regulations e.g. rules surrounding openness, transparency, non-discrimination, and confidentiality. It is confirmed that the SQ evaluation and selection of bidders to be invited to participate in the dialogue stage was carried out in accordance with the published evaluation criteria. It is confirmed that the evaluation of the final tenders has been carried out in accordance with the published evaluation criteria.

## 5 THE FINANCIAL CASE

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### 5.1 OVERVIEW / INTRODUCTION

#### Overview / Introduction

The Financial Case section of the Business Case demonstrates the financial affordability of the CWR project, as outlined in the Economic Case, upon entering the Agreement.

The analysis presented in the Financial Case presents the affordability position and identifies the associated financial risks and accounting considerations. The CWR procurement process has identified a recommended Development Partner for WCC to deliver the CWR project, rather than being focused on designing a scheme for the site. Consequently, the Financial Case at this stage provides insight on the recommended Development Partners approach to revenue replacement and focuses on the Agreement WCC is entering into at contract close, rather than an actual design option, which will be developed post the appointment. The Financial Case will be updated in the FBC, reflecting the actual design option being proposed at that time and in greater detail.

The document that will be entered into at the end of the procurement process is the Agreement which contains a number of provisions and mechanisms that enables WCC to be able to review, check and influence the scheme as the preferred partner generates a design for CWR. The Financial Case will consider these provisions and mechanisms to illustrate their effect on the resulting affordability of any scheme subsequently developed. The Financial Case will also consider the project's core related objectives including the ambitions of generating future income, to offset lost income from WCC's existing assets in the scheme, via the CWR project.

As the CWR project has regeneration at its core, the timescale of the financial review contained within this case is set over the long-term to ensure that it captures the full effect of the scheme on future revenues. The timeframe in the analysis has therefore been set at 40-years.

### 5.2 RECOMMENDED DEVELOPMENT PARTNER'S APPROACH

The recommended Development Partner set out their approach to revenue replacement in their Final Tender submission. The recommended Development Partner's approach recognises the need to preserve WCC's existing income from the site for as long as possible prior development

commencing and the approach intends to ensure that the phasing plan accommodates this. The recommended Development Partner, as long-term investor in the site, intends to support WCC with revenue replacement and will discuss proposals with WCC which will enable revenue to be generated. The approach intends to *'seek to agree a higher proportion of revenue being paid to WCC across the proposed first phase which would then balance as later units come forward to align with the agreed surplus profit share. This allows us to assist with loss of revenue as early as possible whilst also ensuring WCC's revenue increases over time as the development becomes fully occupied'*.

### **5.3 APPROACH**

The analysis within the Financial Case is based on appraising the impact on WCC's accounts upon entering the Agreement and the base-line position over the given 40-year timeframe. The analysis assesses the affordability of this base-line position to demonstrate;

- A financial summary of the Agreement;
- The approach to capital receipts;
- Revenue consequences, including costs, income and forgone income;
- Overall impact on WCC's financial position; and
- High-level sensitivity analysis.

All project inputs used in this analysis have been taken from the November 2021 Outline Business Case (OBC) and have not been updated. This approach was adopted as no new scheme has been developed during the procurement process and therefore this enables consistency between the two cases.

### **5.4 ASSUMPTIONS AND KEY INPUTS**

#### **5.4.1 The Agreement**

As a baseline, the Agreement has no set minimum land values or income thresholds. It does however require the Development Partner to identify potential opportunities for replacement/enhanced income; and the Development Brief reflects this as a Development Objective against the current level of income. It should be noted however, that replacing the current level of income is not a specific requirement for the scheme to progress. Engagement with the market has demonstrated significant potential for the site to both replace and potentially

enhance these existing income streams with a variety of different opportunities being highlighted ranging from Council ownership of income generating assets to it receiving a share of income streams from the Development Partner. Whilst these cannot be included in the financial analysis at this stage due to the lack of any specific scheme being developed, the significant potential of these income streams should be noted. The detail of the income replacement and the assessment of the market / financial risks of the options will be set out in the FBC.

#### 5.4.2 The provisions and mechanisms in the Agreement to assist in realising land disposal receipts and/or future revenue income

Once the recommended Development Partner is in place, the design process for the CWR regeneration site will commence. As part of this process, the Development Partner will need to prepare a Delivery Plan that satisfies WCC's original Development Brief. As the design options start to emerge, they will be supported by appropriate viability checks, and through this process the levels of affordability can be tested by WCC. As part of this, the Development Partner will be required to run an agreed financial model to generate land value thresholds. The Development Partner's profit thresholds will be set in the Agreement. These tests will be undertaken on the whole scheme, rather than by phases.

Through this review process, WCC will be able to steer the emerging design and constantly test its financial position. Therefore, the decisions points will not arrive in isolation, there will be signposting of the Development Partner's progress and approach at regular intervals. Also, any changes to the Development Brief must be agreed with WCC.

Although there is no articulation of a minimum level of replacement or enhanced income set as a viability threshold, income replacement / enhancement is set as a Development Objective in the Development Brief. The Development Partner will therefore need to satisfy the Development Brief via its Delivery Plan, and with it address the stated Objectives as robustly as possible within the parameters of the scheme. As such, WCC will be a constant stakeholder in the development of the scheme and will understand how the objectives within the Development Brief are being addressed.

A key point to note in this process is that all the future costs, apart from the retained advisers to WCC for providing assurance checks, associated with developing the design scheme for the



CWR site will be borne by the Development Partner. There is no obligation on WCC to finance a viability gap or to fund any income generating assets.

### 5.4.3 Council's Existing Assets

WCC currently owns a number of assets within the CWR site; some of which generate a positive net income. These include the following assets.

Table 9: List of WCC's Existing Assets

Location	Annual Income/ (Cost)
Friarsgate surface car park (long stay)	£143,000
Bus station (includes access / offices/ café)	£128, 160
Middlebrook Street properties	£344,976
Kings Walk and Antiques Market	£100,793
Friarsgate Medical Centre	(£968)
Coitbury House	(£46,710)
<b>Total</b>	<b>£669,251</b>

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The current properties generate a net income to WCC of £669,251 per annum and these specific income streams are likely to cease once the properties are redeveloped, although noting their potential for replacement above. However, the associated liabilities of these assets would also cease at this point.

WCC has invested over £15m on site assembly to gain control of the assets within the CWR Area in recent years, including:

Table 10: List of WCC's Investment in CWR Site Assets

Location	Cost
Friarsgate Medical Centre	£5,267,675
Bus Station	£4,776,542
Kings Walk & Middle Brook St	£5,000,000
<b>Total</b>	<b>£15,044,217</b>

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The acquisition values of WCC's land assets are reflected in the financial analysis through WCC existing revenue from the corresponding assets. However, WCC has incurred costs to finance these assets. Whilst it does not directly borrow to fund asset purchases these costs will have

increased as a result of these purchases. These costs have been excluded from this analysis, as they will continue regardless of whether the asset continues to generate income or not. This is as a result of the assumed lack of capital receipt from these assets in the analysis. Assuming no capital receipt, under the Agreement, would mean that there is no reduction in debt for WCC at this stage, and as such these costs would continue. Although, if a capital receipt from the scheme were obtained, it could be used to reduce WCC's borrowing.

## 5.5 FINANCING ASSUMPTIONS AND KEY INPUTS

The financial modelling has been underpinned by the following set of key inputs and assumptions as at November 2021 for the OBC.

Table 11: Summary of Key Inputs and Assumptions

Item	Assumption
PWLB Interest Rate	3%
MRP Period	48 years
MRP Rate	2.1%
MRP Profile	Annuity
Discount Rate	6.09%
Capitalised interest	Zero
Income losses timeframe:	
- Car Park & Bus Station	For the life of the scheme
- Kings Walk and Antiques Market	10 years
- Middlebrook Street properties	25 years

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### 5.5.1 Development Phasing

The development phasing shows how the scheme would be developed and therefore signals the estimate for the cessation of revenues and costs from each of the assets as they are taken out of operational use for redevelopment purposes. This phasing will be used to calculate the net impact on WCC arising from the CWR redevelopment. As there is no designed scheme currently in place, a notional approach to development phasing has been assumed for illustrative purposes. These are assumed to be as previously reported on and as per the JLL advised desktop scheme – presented in the OBC. The Development Partner would be

encouraged to retain WCC’s existing income position for as long as possible, and to identify alternatives to replace and potentially add to these income streams in the future.

Table 12: Summary of Development Phasing

Phase	Date Commenced
Friarsgate Surface Car Park (Long Stay)	2027
Bus Station (includes Access / Offices / Café)	2027
Other Non-Investment Property:	
- Middlebrook St Properties	2027
- Kings Walk and Antiques Market	2024
- Friarsgate Medical Centre	2027
- Coitbury House	2028
Tanner St Car Park - Lease of Land (M&S)	Not included

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## 5.6 ANALYSIS OF PROGRAMME, COSTS & INCOME

As the Agreement has no set minimum land values or income thresholds, for the purposes of this analysis zero residual land receipts are assumed. This is presented as the worst-case scenario.

The provisions and mechanisms in the Agreement noted above, will seek to improve this position as the design of the scheme emerges and engagement with the market has shown significant potential for a combination of capital and income stream returns to the Council from potential schemes on the site. These cannot be quantified at this stage, due to the lack of the development of an actual scheme, thus the worst case scenario is presented.

## 5.7 FUNDING SOURCES

The Development Partner’s approach means WCC is not obligated to incur any capital upfront. The only ongoing cost that would be incurred relates to WCC’s professional and legal advisory teams offering the necessary assurance services associated with the implementation of the Agreement. The cost of which has been assumed at £530,000 but is not captured in this analysis for the purposes of the Finance Case.

## 5.8 FINANCIAL PERFORMANCE AND EVALUATION

### 5.8.1 Overall Impact on WCC's financial position:

As there is no borrowing or required funding or modelled capital receipt, WCC's Capital Financing Requirement is not impacted under the Agreement. As a result, no MRP or borrowing amendments are required.

The base-line position under the Agreement results in a negative revenue position for WCC when taking account of the loss of current income streams as a result of the redeveloped assets- being taken out of use, and the lack of any replacement income being assumed as per the worst case scenario explanation above.

These results are summarised in the following schedule and based on a 40-year cash flow period.

Table 13: Summary of schedule on a 40-year cash flow period

Element	Financial Impact
<b>Capital Position</b>	
Net Land Value	£0.00m
Council CAPEX	£0.00m
<b>Net Capital Position</b>	<b>£0.00m</b>
Council CAPEX	£0.00m
<b>Gross Council Funding</b>	<b>£0.00m</b>

<b>Un-Discounted Revenue Position</b>	
Council Revenue Expenditure	£0.00m
PWLB Interest	£0.00m
MRP	£0.00m
Opportunity Savings	£0.00m
<b>Revenue Position Costs</b>	<b>£0.00m</b>
Lost Income	-£29.84m
<b>Net Revenue Position</b>	<b>-£29.84m</b>
<b>Discounted Revenue Position (NPV)</b>	
Council Revenue Expenditure	£0.00m
PWLB Interest	£0.00m

Element	Financial Impact
MRP	£0.00m
Opportunity Savings	£0.00m
<b>Discounted Revenue Position</b>	<b>£0.00m</b>
Lost Income	-£8.85m
<b>Net Revenue Position</b>	<b>-£8.85m</b>

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### 5.8.2 Capital receipts, costs and peak borrowing:

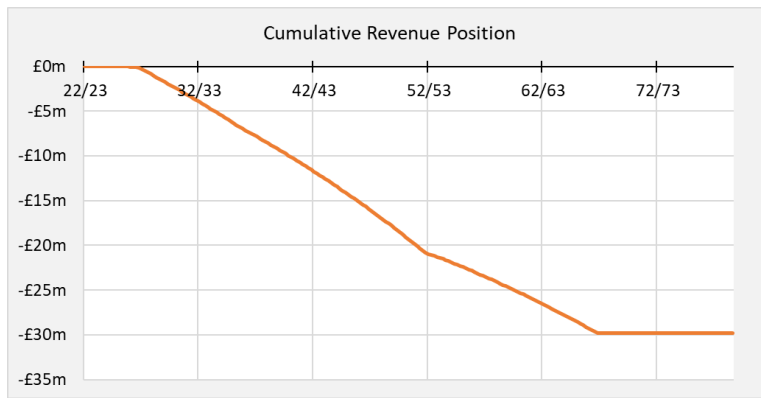
The base-line position under the Agreement would not yield a change in the Net Capital position. The mechanisms and provisions set within the Agreement noted above seek to enhance this position and the realisation of any arising land receipts.

Similarly, there would not be any major capital costs of developing and realising the CWR opportunity.

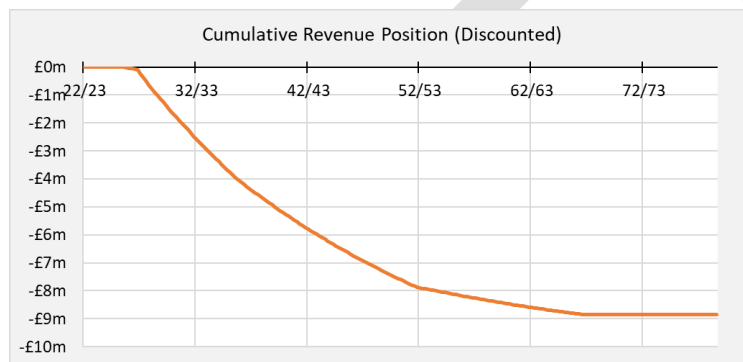
### 5.8.3 Revenue consequences:

In terms of revenue considerations, the base-line position under the Agreement does not assume any future revenue i.e. no income is due to WCC once the development has been completed. However, it does require the Development partner to identify opportunities for replacement / enhanced income; and the Development Brief reflects this as a Development Objective against the current level of income something that appears achievable based on engagement with the market to this date.

For the purposes of this Financial Case, it is assumed WCC will lose the annual income stream associated with the current site and this loss of income (£720k per annum) must be assessed when considering the affordability of the future development. The base-line Net Revenue position under the Agreement equates to minus £29.84m, with a Net Present Value (NPV) position of minus £8.85m. The graph below sets out the impact on the revenue account of this lost revenue.



The following graph shows the discounted position of the impact on the revenue account of this lost revenue.



## 5.9 SENSITIVITY ANALYSIS – RISK PROFILING

### 5.9.1 Approach:

The high-level sensitivity analysis has been based on market sales and construction cost sensitivity, i.e. +/- 10% has been applied to demonstrate the effect on the following key financial performance outputs;

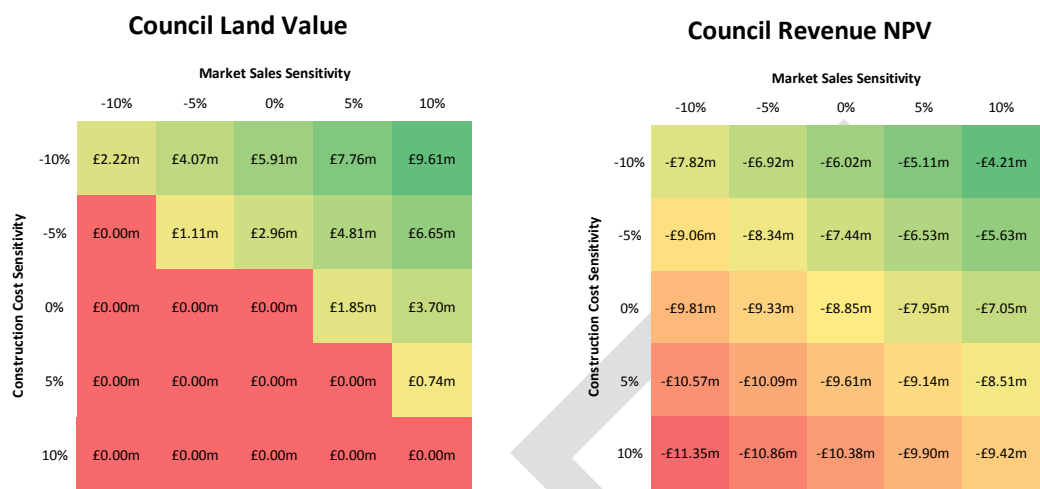
- Council land value
- Council revenue, i.e. the NPV.

### 5.9.2 Results:

The following ‘heat charts’ demonstrates that changes in either market sales or construction costs have the biggest impact on WCC’s revenue position.

The heat charts show the base-line position as discussed in the commentary above in the centre square of each chart. The surrounding cells depict positive or negative changes from this position across of scale of +/- 10% on the two variables. I.e., with the bottom left quadrant from

the base-line centre square being the worst performing, illustrating both a reduction to market sales and an increase in construction costs.



In regard to WCC Land Value, the heat chart reflects a £0.00m position even where there would have been a negative land value. This is due to the conditions contained in the Agreement which requires the scheme to be ‘viable’ therefore returning a land value of £0 or above. WCC’s Revenue NPV heat chart illustrates that the scheme would be more sensitive to changes in Construction Costs<sup>2</sup>.

## 5.10 CONCLUSION

The Financial Case depicts the potential financial costs and affordability of the CWR project upon entering the Agreement. The Financial Case has summarised the various provisions and mechanisms contained within the Agreement that allows WCC to review, check and influence the scheme as the preferred partner generates a scheme for CWR.

The case has shown that the base-line position, under the Agreement, results in a negative revenue position for WCC when taking account of the loss of current income streams as a result of the redeveloped assets. However, the Agreement has enshrined requirements for the Development Partner to identify options to potentially replace these lost income streams to offset the negative revenue position of the base-line case. The case has also identified that

<sup>2</sup> It is assumed that any change in land value would result in an increase or decrease in the need to borrow as the receipt that is received by the Council is used to reduce borrowing. This is converted into a revenue saving as it impacts the cost of interest and Minimum Revenue Provision (MRP)

there is no borrowing or required funding, and as a result WCC's Capital Financing Requirement is not impacted under the Agreement. Similarly, there would not be any major capital costs of developing and realising the CWR opportunity from this point.

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## 6 THE MANAGEMENT CASE

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### 6.1 INTRODUCTION

This section of the Development Partner Business Case details the actions that are required to ensure the successful delivery of the scheme in line with best practice.

The Management Case sets out the project governance and management, resource requirements, stakeholder engagement and working arrangements. Both the benefits and risks associated with this project, and their coinciding management, have been addressed. Benefit and risk registers are to be collated and/or built upon during the project lifecycle.

Aspects which need to be further developed within this Management Case in line with the Final Scheme and will be presented in full as part of the Full Business Case include:

- **Benefit register** – Building on the work set out at section 3.2 of the Economic Case, the benefit register shall be updated and completed in line with the Final Scheme.
- **Benefits realisation arrangements and plans** - Benefits realisation arrangements and plans will be set up in line with the Final Scheme.
- **Site development programme** – The site development programme and phasing will be established by the Development Partner in the Delivery Plan.

### 6.2 CONTRACT MANAGEMENT

#### 6.2.1 Nature of the Contract

The form of contract is a Development Agreement (the Agreement) which will be entered into by WCC, and the recommended Development Partner selected under the procurement process outlined in the commercial case (Section 4.2).

#### 6.2.2 Governance Arrangements

The Agreement sets out the governance arrangements for the project and the on-going engagement and authorised approvals between WCC and the Development Partner.

The governance arrangements are set out as follows:

## **The Project Board**

The parties will establish a Project Board (the Board). The Board will comprise four representatives each from WCC and the Development Partner. Meetings of the Board will be held on a monthly basis or to a frequency that aligns with the progress of the Development.

Within the context of the Agreement, the Board will be responsible for the strategic direction of the project including:

- Agreeing the delivery plan and other key gateways before seeking required WCC approvals
- Monitoring WCC approvals
- Monitoring progress against the Delivery Plan
- Reviewing and agreeing the communications and engagement plan
- 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 WCC approvals are sought
- Resolving disputes and unlocking barriers to delivery as requested by the project team.

## **The Project Team**

The parties will assemble an operational team (Project Team) to oversee the implementation of the Agreement and the decisions of the Board in relation to the Development. The team will comprise of WCC Offer(s) representation alongside the Development Partner's team and appointed consultants. The Project Team will progress all workstreams and carry out day to day tasks and act on the decisions made at the Project Board. Meetings will occur on a weekly basis or to a frequency that aligns with the progress of the Development.

## **Quarterly Review**

Quarterly Project Review meetings will be held to review the progress of the scheme and identify and agree key actions to secure successful execution of the Development. Invitees will comprise of the Board members and other such people WCC and the Development Partner may nominate, as they see fit, such as members of the professional team and contractors. The Development Partner will issue a report pack to WCC ten working days ahead of each Quarterly Review meeting along with a draft agenda.

Areas for review may include:

- Delivery plans
- Conditions satisfaction
- Communications and engagement activity
- Risk register
- Financial modelling
- Cost/social value/design reports.

### **Quarterly Update to the Cabinet Committee: Regeneration**

Following the formal Quarterly Review, the Development Partner will be required to attend and provide an update to the Cabinet Committee: Regeneration. The Cabinet Committee: Regeneration is comprised of the Leader and Cabinet Member for Asset Management (Chairman), three other Cabinet members and four other members (two from each political group).

The purpose of these meetings is for the Development Partner to be able to provide an update on the progress of the development in a public forum. This is an opportunity for Members, stakeholders and members of the public to engage and discuss elements such as project progress and next steps.

### **Approval processes and decision making**

As the project progresses, there are key gateways that require WCC approval prior to progressing to the next step. These approvals will be based on an assessment of adherence of the contractual terms set out in the Agreement. If the matter put forward by the Development Partner for consideration is in line with the terms of the Agreement, the Cabinet or the Cabinet Committee: Regeneration will consider it.

These key gateways include:

- Approval of the Delivery Plan
- Approval of the Financial Model
- Approval of the Scheme prior to submission of the planning application
- Approval that Primary and Phase Conditions have been Satisfied

- Approval if Development Partner wants to assign the Agreement
- Approval if the Development Partner wants to amend the Delivery Plan

Prior to any formal approval process occurring there will be involvement from the CWR Reference Group, CWR internal Project Board, and if appropriate the Open Forum Panel and presentations to an Open Forum.

### 6.3 CONTRACT RESOURCE AND ASSOCIATED BUDGET REQUIREMENTS

There will be an ongoing Council resource requirement through the duration of the life of the Agreement. The resource requirement will vary depending on the stage of development and the corresponding contract management responsibilities to be enacted by WCC. WCC anticipates that there will be two full time members of staff dedicated to this project:

- Head of Programme (HoP) for Central Winchester Regeneration. Dedicated WCC resource responsible for the day-to-day management of the Agreement on behalf of WCC.
- Project Manager (PM) for Central Winchester. Dedicated WCC resource to support HoP with the day-to-day management of the Agreement on behalf of WCC.

In addition to the resource outlined above, the below provides an indication of the anticipated WCC resource requirement and consultant support linked to the long-stop dates set out in the Agreement. The resource requirements for the regular meetings set out at 6.2.2 have not been included below.

Table 14: Summary of Key Milestones and requirements

Development agreement milestone	Council resource requirement	Consultant resource requirement
Preparation and approval of Development Delivery Plan	<ul style="list-style-type: none"> <li>• CWR HoP</li> <li>• CWR PM</li> <li>• Strategic Director- Place</li> <li>• Corporate Head of Asset Management</li> <li>• Service Lead – Finance</li> <li>• Service Lead – Legal</li> </ul>	<ul style="list-style-type: none"> <li>• Communications</li> <li>• Legal</li> </ul>
Preparation and approval of planning application and Full Business Case	<ul style="list-style-type: none"> <li>• CWR HoP</li> <li>• CWR PM</li> <li>• Strategic Director- Place</li> <li>• Corporate Head of Asset</li> </ul>	<ul style="list-style-type: none"> <li>• Communications</li> <li>• Planning advice</li> <li>• Design quality advice</li> </ul>

Development agreement milestone	Council resource requirement	Consultant resource requirement
	<ul style="list-style-type: none"> <li>Management</li> <li>Corporate Head of Regulatory Services</li> <li>Service Lead – Finance</li> <li>Service Lead – Communications</li> </ul>	<ul style="list-style-type: none"> <li>Development advisory</li> <li>Affordability advice and financial modelling</li> </ul>
Phase 1 Primary Condition satisfaction	<ul style="list-style-type: none"> <li>CWR HoP</li> <li>CWR PM</li> <li>Strategic Director- Place</li> <li>Corporate Head of Asset Management</li> <li>Corporate Head of Regulatory Services</li> <li>Service Lead – Legal</li> </ul>	<ul style="list-style-type: none"> <li>Communications</li> <li>Legal</li> </ul>
Phase 1 start on site	<ul style="list-style-type: none"> <li>CWR HoP</li> <li>CWR PM</li> <li>Strategic Director- Place</li> <li>Corporate Head of Asset Management</li> <li>Service Lead – Communications</li> </ul>	<ul style="list-style-type: none"> <li>Communications</li> </ul>

WCC

The estimated total cost for consultant support, up to the point of submission of the planning application, is £530,000 to cover the indicative roles and responsibilities listed below. Existing remaining budget or the Regeneration Reserve will cover £358,000 of these costs with an additional budget requirement of £175,000 requested.

- Planning and quality - (TBC)
- Development/ Property advisory - (TBC)
- Financial - 31Ten
- Legal - Browne Jacobson LLP
- Transport - (TBC)
- Communication and Engagement – Redwood Consulting

## **6.4 SITE DEVELOPMENT PROGRAMME**

The Development Partner will be responsible for producing the site development programme as part of their Development Delivery Plan submitted for approval (and which will be included as part of the Full Business Case).

## **6.5 STAKEHOLDER ENGAGEMENT PLAN**

WCC is committed to continuing the high level of engagement that has already been conducted to date (as set out the Economic Case) and at appropriate points there will be stakeholder engagement and public updates. The Community and Stakeholder Engagement Plan will form part of the Delivery Plan set out in the Agreement and will be delivered by the Development Partner post appointment. The Development Partner will be responsible for leading all community and stakeholder engagement, with appropriate consultant expertise, in conjunction with WCC and their requirements and policies as well as any statutory or other legal requirements. As a minimum, the Development Partner will consult stakeholders, community groups, residents, and businesses on the following:

- The approach to archaeology;
- The design concept;
- The detailed design at pre-application stage and,
- The final designs

The Development Partner is also required to engage and work with neighbouring landowners and transport stakeholders, as outlined in the Development Brief.

## **6.6 CHANGE MANAGEMENT**

### **6.6.1 Scheme Changes**

Changes to the scheme, as detailed in the approved Delivery Plan, are subject to the change procedures set out in the Agreement. The change management procedures mean that any change must be submitted and fully considered before the change is confirmed (or not) and implemented. The Council is not required to agree changes to the Development Brief other than at its discretion.

The Agreement allows for changes post planning application. Changes to the delivery plan of the project will need to be discussed at a Project Board or Quarterly Review Meeting, and other than in respect of the Development Brief, the Council will have to act reasonably in giving or withholding consent. Depending on the nature of the change, a resubmission of a planning permission application by the Development Partner may then be required.

Any such changes to the scheme should be in accordance with the Development Objectives and must not deviate from the Development Brief without WCC consent.

#### 6.6.2 Contract changes

There are conditions in the Agreement dealing with assignment and change of control. The Development Partner can only assign, novate, or transfer its rights and obligations with WCC prior consent in writing. A change in control of the Development Partner is similarly governed. Further information can be found at Appendix D of Cabinet Report 3371 dated 6th March 2023.

### **6.7 BENEFIT REQUIREMENTS**

The main outcomes and benefits requirements associated with the development of CWR in relation to the city needs are outlined in Section 2.8 of the OBC and remain unchanged. These link to WCC's Key Objectives which are set out in the Development Brief and form part of the Agreement.

#### 6.7.1 The benefit register

Bidder E has set out their approach to producing and managing a benefit register. The intention is for this document to encapsulate all the qualitative and quantitative benefits identified during the implementation and operational phases of the project and will be aligned with the Investment Objectives and the core requirements stipulated within the Agreement.

As the scheme evolves, the Development Partner will review the benefit register. It will form part of the standard agenda for future project boards to enable WCC to monitor progression. WCC will include the benefits register in the FBC, which will be in line with the final scheme.

## 6.8 RISK MANAGEMENT

### 6.8.1 The risk register

The risk register is set out at Appendix F of Cabinet Report 3371 dated 6<sup>th</sup> March 2023. The HoP will monitor risks on behalf of WCC. The nature of the development and the risks and benefits will evolve, for example through the planning process. Some of these will be technical or operational but others will be strategic, and these will be escalated as appropriate.

WCC has in place an active risk register which is periodically updated by the CWR HoP and PM;

- In compliance with WCC's Risk Management Policy and Risk Score Card, risks are actively identified and recorded in the project risk register, analysing the potential impact of the risk and the likelihood and project exposure it could cause. The register also identifies the appropriate mitigating actions that are to be put in place;
- Where risks require further action, this is noted in the register where the risk will be flagged for future actions by a relevant date and the current status. This is managed by the CWR PM who will involve relevant members of the project team and advisors as necessary;
- The risks in the register will be assigned specific owners within WCC, regular risk register review meetings are held where risk mitigation methods will be monitored and managed to lower the risk level to an acceptable level/close.

By entering into the Agreement with the Development Partner, the allocation of risk and roles and responsibilities are clearly defined. More detail on the roles and responsibilities of WCC and the Development Partner are set out in the commercial case however we have set out the risk apportionment at a high level below.

This includes:

- Placing responsibility for delivery of the CWR scheme with the Development Partner. This means that the Development Partner will be under obligation to pursue the necessary pre-conditions for carrying out the development on a phased basis, including: the design; planning application; appointment of professionals and contractors; obtaining of funding; and securing of occupiers/purchasers. These activities will be at the Development Partner's cost and risk.



- The Development Partner's professional team and contractors to be properly insured and for them to provide collateral warranties to WCC (enabling direct recourse where necessary).
- Risk in relation to the returns to be made from the development (i.e., market risk) will sit with the Development Partner.

WCC's core obligation will be to obtain vacant possession and to transfer land for development (on a phased basis). The Development Partner may also have a role to play in securing vacant possession, e.g., by way of relocations.

## **6.9 CONCLUSION**

The Management case sets out the project management and governance arrangements to facilitate successful delivery. The Agreement includes the governance arrangements for the project and the on-going engagement and authorised approvals between WCC and the Development Partner. A clear governance structure for the project has been set out; defining the roles, responsibilities and associated decision making of the project board, project team, quarterly reviews and updates to the Cabinet Committee: Regeneration. Ongoing resource requirements for WCC have been assessed alongside associated consultant support to ensure the successful management of the Agreement.

## 7 APPENDIX Ci – SELECTION QUESTIONNAIRE EVALUATION QUESTIONS AND SCORING CRITERIA

Section 6	Technical and Professional Ability
6.1	<p><b>Collaborative Working (15%)</b></p> <p>In no more than 2,000 words, please demonstrate, with reference to up to three case studies which are current or have been completed within the past five years, evidence of your participation in partnerships to facilitate the delivery of mixed-use development projects.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• previous involvement in long term partnerships with public sector organisations to deliver mixed-use development projects, with local authorities where possible; and describing how conflicts due to opposing views, objectives or priorities were mitigated, previous experience of bringing together and then working with multiple local stakeholders, together with effective, transparent and frequent community engagement.</li> </ul> <p>As part of the relevant supporting information and evidence requested, Bidders should provide two referees in the form set out in Appendix 3 of this document (SQ Document 2) to support the case studies presented in response to this question. For clarity, a total of two referees are required, not two referees per case study. Referees are not included within the 2,000 word count.</p> <p>The Council reserves the right to approach at least one of these referee organisations to confirm the standard of execution of these contracts in the areas set out in Appendix 3.</p> <p>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</p>
6.2	<p><b>Development Experience (20%)</b></p> <p>In no more than 2,000 words, please evidence, with reference to up to three case studies which are current or where phases have been completed within the past five years, your participation in master planning a mixed-use development, with a city/town centre regeneration focus, if possible, as well as developing marketing, sale and letting strategies for those schemes.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• previous experience of delivering mixed-use town/city centre schemes on a phased (incremental) basis;</li> <li>• evidence of delivering meanwhile uses prior to development;</li> <li>• previous experience of assembling and managing a professional team</li> </ul>

Section 6	Technical and Professional Ability
	<p>delivering exemplary quality outcomes, including where working with more than one architectural practice;</p> <ul style="list-style-type: none"> <li>• experience of delivering development in a heritage setting with in situ archaeology;</li> <li>• understanding of the global and UK real estate markets for residential, commercial and creative workspace, including the creation and execution of a marketing strategy for each of these; and</li> <li>• your approach to maximising social value during the development period (e.g., jobs, training, supply chain, meanwhile uses).</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>
6.3	<p><b>Long term placemaking (20%)</b></p> <p>In no more than 1,500 words, please demonstrate, with reference to up to three case studies which are current or that have been completed within the past five years, how you have successfully delivered projects with a strong placemaking agenda and long-term vision.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• evidence of successful delivery of exemplary ground floor spaces and public realm which is activated and curated;</li> <li>• experience of working with adjacent landowners to create a cohesive, permeable and attractive environment;</li> <li>• creation of long term social and financial value to the wider area through community initiatives or similar strategies; and</li> <li>• approach to the long-term management, activation and curation of a completed development including experience of sourcing and contracting with appropriate operators capable of curating varied tenants at different price-points.</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>
6.4	<p><b>Design and Planning Approach and Implementation (12.5%)</b></p> <p>In no more than 1,000 words, please demonstrate, with reference to up to three case studies which are current or that have been completed within the past five years, your approach to master planning and achieving planning consent.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• successfully working with defined planning frameworks (e.g., a Supplementary Planning Document (SPD) and Heritage Area) and</li> </ul>

Section 6	Technical and Professional Ability
	<p>obtaining planning permission for major mixed-use schemes. Your response should include how you worked up any masterplan and subsequent detailed phases, and how you addressed planning challenges; and</p> <ul style="list-style-type: none"> <li>• effective approach to the preservation of archaeology; and</li> <li>• successfully progressing and concluding Section 106 agreement negotiation.</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>
6.5	<p><b>Sustainability (12.5%)</b></p> <p>In no more than 1,500 words, please demonstrate, with reference to up to three case studies which are current or that have been completed within the past five years, your approach to sustainability and the delivery of sustainable developments.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• evidence your track record of delivering net zero carbon development or where you have delivered development which exceeds regulatory requirements from a sustainability perspective. This should include how you set, monitored and delivered the sustainability standard and if possible, evidence the 'in use' performance outcomes;</li> <li>• your approach to delivering and measuring social value;</li> <li>• previous experience of bringing sustainable design, construction and technical innovation to developments; and</li> <li>• your approach to delivering sustainable transport infrastructure.</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>
6.6	<p><b>Capital and Financing (10%)</b></p> <p>In no more than 1,000 words, please demonstrate, with reference to up to three case studies which are current or that have been completed within the past five years, how you have accessed and secured capital and/or financing to fund similar projects to this opportunity.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• similar projects where finance has been sourced;</li> <li>• track record with funding partners;</li> <li>• approach to securing funding;</li> <li>• type of funding secured; and</li> </ul>

Section 6	Technical and Professional Ability
	<ul style="list-style-type: none"> <li>• management of funding over the lifecycle of projects.</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>
6.7	<p><b>Management of Construction Delivery (10%)</b></p> <p>In no more than 1,000 words, please demonstrate, with reference to up to three case studies which are current or that have been completed within the past five years, how you have managed the procurement of construction and supply chains for similar projects to the opportunity.</p> <p>Your answer should address the following requirements:</p> <ul style="list-style-type: none"> <li>• experience in different forms of procurement and approach to risk and quality management;</li> <li>• experience of managing supply chains to ensure high quality output and standards are maintained;</li> <li>• effective cost management and contingency planning;</li> <li>• minimising long-term costs over the lifecycle of projects; and</li> <li>• managing health, wellbeing and safety of subcontractors.</li> </ul> <p><i>Each case study submitted in response to this question will not be evaluated in isolation. The Council will evaluate the answer as a whole in accordance with the scoring criteria set out in paragraph 4 of SQ Document 1 (Instructions and Information). As such, you do not need to address each of the specified requirements above in each of the case studies (if there is more than one referenced), although all of the requirements should be addressed within your answer.</i></p>

### Evaluation of Technical and Professional Ability (Section 6) scoring criteria

Section Six of the SQ (Technical and Professional Ability) is weighted and will be evaluated in line with the below scoring criteria:

Score	Description
0	<p><b>Unanswered -</b></p> <p>The response fails to meet any or the majority of the minimum requirements as set out in the question.</p> <p>The response lacks relevant supporting information and evidence in relation to those minimum requirements which are addressed.</p> <p><b>Submissions which receive a '0 - Unanswered' <u>will not</u> be considered further.</b></p>

**Not at required level -**

- 2
- The response meets the majority of the minimum requirements as set out within the question but with isolated reservations or omissions.
- The response lacks relevant supporting information and evidence in relation to some of the minimum requirements which are addressed.

**Satisfactory -**

- 5
- The response meets the minimum requirements as set out within the question.
- The response provides a satisfactory degree of relevant supporting information and evidence in relation to each of the minimum requirements.

**Good -**

- 8
- The response meets and, in some cases, exceeds the minimum requirements as set out within the question.
- The response provides detailed relevant supporting information and evidence in relation to each of the minimum requirements.

**Excellent -**

- 10
- The response meets and in the majority of cases exceeds the minimum requirements as set out within the question.
- The response provides clear and comprehensive relevant supporting information and evidence in relation to each of the minimum requirements.



## 8 APPENDIX Cii – FINAL TENDER EVALUATION QUESTIONS AND SCORING CRITERIA

### PART A: QUALITY

#### 1. Approach

QUESTION 1 – APPROACH	WEIGHTING
<b>OVERALL WEIGHTING FOR THIS QUESTION</b>	<b>45%</b>
<b>QUESTION 1.A - Approach to delivering the mixed-use quarter</b>	<b>10%</b>
<p>In no more than 10 A4 Pages (please see definition in the Appendix) please describe how you would approach the delivery of the Central Winchester Regeneration vision and Investment Objectives in practical terms. This should address, but not be limited to:</p> <ul style="list-style-type: none"> <li>➤ Your concept for realising the vision for the development site and the aims and Investment Objectives of the Council;</li> <li>➤ How you will enable the site for development;</li> <li>➤ Please provide your evidence-based assessment of three key things which could be done to optimise the existing development proposal. (Note these elements should not be included within the financial submission).</li> <li>➤ How you will protect and maintain the long-term vision for the development site throughout the delivery of each phase of the project;</li> <li>➤ Your approach to contingency planning including the mitigation of delays to the project;</li> <li>➤ Your approach to ensuring overall viability; and</li> <li>➤ How your approach to the scheme will (as appropriately as possible) replace the revenue loss to the Council from existing occupiers. Please outline possible solutions. (Note these elements should not be included within the financial submission).</li> </ul> <p><i>As a minimum requirement Bidders should address all of the above bullet points.</i></p>	
<b>QUESTION 1.B - Approach to high quality public realm and placemaking</b>	<b>10%</b>
<p>In no more than 8 A4 Pages, please describe your approach to developing scheme proposals for the development site as a whole. This should address, but not be limited to:</p> <ul style="list-style-type: none"> <li>➤ How you will ensure exemplary design quality across the development site's uses, phases and public realm;</li> </ul>	

- Your approach to ensuring that the special qualities found in the heart of Winchester are preserved and enhanced, ensuring that the development is compatible with the City's historic and natural character;
- How your approach will support a vibrant retail, cultural and heritage offer;
- Your approach to the preservation of archaeology on site;
- Your approach to ensuring increased permeability and accessibility throughout the site; and
- Your approach to the long-term estate management of the whole site over time including the approach to activation and curation of the ground floor.

*As a minimum requirement the Bidder should be able to address all of the above with reference to the SPD, the Winchester Public Realm Strategy Report 2020, and the Winchester High Quality Places SPD.*

#### **QUESTION 1.C - Approach to engagement**

10%

In no more than 8 A4 Pages please detail your approach to:

- Meaningful engagement with stakeholders (articulating your assessment of who the stakeholders in this scheme will be and why they are important);
- Community engagement throughout the development process;
- Engaging and working with transport stakeholders to ensure the optimal public transport and bus solution is secured for the site; and
- Engaging and working with neighbouring landowners, as outlined in section 5.3 and 7 of the Development Brief.

*As a minimum requirement the Bidder should be able to clearly address all of the above bullet points.*

#### **QUESTION 1.D - Approach to Sustainability**

10%

In no more than 8 A4 Pages, please describe your approach to delivering a best-in-class sustainable development. This should address, but not be limited to:

- Your understanding of the Council's sustainability commitments and your approach to ensuring that the development will align with and achieve the stated objectives;
- How you will ensure principles of sustainable development are incorporated in the design and delivery;
- Your approach to net zero carbon, circular economy and the enhancement of biodiversity;
- Your approach to the delivery of sustainable modes of travel;
- Your approach to achieving building accreditations such as, but not



limited to, BREEAM and Passivhaus; and

- Your approach to ensuring the long-term improvement of the economic, social and environmental wellbeing of the area and the city.

*As a minimum requirement Bidders should address all of the above bullet points above with reference to the SPD and the Council's Green Economic Development Strategy.*

#### **QUESTION 1.E - Approach to meanwhile uses**

5%

In no more than 4 A4 Pages, please describe your approach to incorporating meanwhile uses into the development of the site in accordance and coordination with the development phasing. This should address, but not be limited to:

- Your approach to early activation of the site through the delivery of meanwhile uses;
- How you will ensure your meanwhile use strategy delivers benefits to address short term need but also constructs a longer-term legacy for the development site;

*As a minimum requirement Bidders should address all of the above bullet points. Note, Bidders are not asked to make financial proposals in the regard.*

## **2. Planning**

*The responses to the questions below should articulate a Bidder's approach to create a high-quality environment, amenity and buildings across all uses.*

### **QUESTION 2 - PLANNING**

**WEIGHTING**

#### **OVERALL WEIGHTING FOR THIS QUESTION**

**10%**

#### **QUESTION 2 - Planning Strategy**

10%

The chosen developer will be required to work with the Council to produce overall scheme proposals for the Site prior to securing an outline planning permission for the development site and a detailed planning permission for the first phase of development. The developer is required to adopt a clear planning strategy, underpinned by a collaborative approach towards design development, demonstrating innovation, flexibility and in accordance with the SPD.

With this in mind and in no more than 8 A4 Pages please:

- Describe your proposed planning strategy for the site, including how you would approach the preparation and submission of a planning application(s) and associated planning and highways agreements;
- Please explain how your planning strategy will enable you to secure consents on future phases of development and how you will seek to

optimise the development proposals through the planning process; and

- Please highlight how you would mitigate any potential planning risk.

*As a minimum requirement the Bidder should be able to address all of the above bullet points and how responses align with the Council's objectives and the SPD.*

### 3. Team

*The Council is seeking a Final Tender which will involve the deployment of an appropriate team resource to deliver the development.*

*Bidders should demonstrate a commitment and capacity across the team to provide the "key roles" as set out in Section 5 of the Development Brief.*

QUESTION 3 – TEAM	WEIGHTING
<b>OVERALL WEIGHTING FOR THIS QUESTION</b>	<b>15%</b>
<b>QUESTION 3.A - Deployment of Core Team</b>	<b>10%</b>

Please provide details of the core team that will be assigned to the Project, demonstrating a coherent approach to resourcing the Project throughout, including interface with the Council and potential funders. This response should articulate a full appreciation of the roles required in a long-term development project of this nature and therefore may include a lead designer (urban design, landscape or architect), engineers, sustainability consultant and community engagement consultant (or resourced internally). This answer should include, but not be limited to:

Define key roles, responsibilities and why they have been chosen to fulfil those roles (5%):

- One A3 Page size organogram setting out your team structure and key personnel for all stages of the Project. This response should include each team member's role and responsibilities;
- Please provide CVs for all key personnel using the template below. Please ensure that CVs are submitted for the following roles and are no more than 1 A4 Page per CV:
  - Accountable Senior Executive with oversight (Board level Project Sponsor)
  - Project Director (if different from above)
  - Project Manager (manages day to day responsibility)
  - Technical Director / Lead (planning, design, sustainability and construction methods)
  - Commercial Director / Lead (market, viability and product)

- Relationship Manager (if different from any of the above)
- Lead Architect

*CV Template:*

<i>Name:</i>	
<i>Job title:</i>	
<i>Relevant qualifications:</i>	
<i>Roles and responsibilities (specific to CWR):</i>	
<i>Why this individual has been chosen for this role?</i>	
<i>Selection of relevant experience:</i>	

- In no more than 2 A4 Pages, please explain how named firms and individuals have been identified and will be deployed in long term roles recognising that the Council is looking for a high-quality team to be embedded upfront and retained.

In no more than 4 A4 Pages, please provide (5%):

- Details of your processes for undertaking ongoing management throughout the project to deliver a consistently high-quality service and continuity of resource;
- Clear demonstration of how the time of the individuals named above will be committed / guaranteed throughout;
- Clear demonstration of your succession planning should any named individuals leave during the life of the Project; and
- Details of your client engagement process to ensure effective communication, governance and accountability, to be upheld throughout the Project.

*As a minimum requirement the Bidder must demonstrate the deployment and retention of a core team that has the expertise and Competence necessary to undertake the “key roles” as set out in Section 5 of the Development Brief.*

**QUESTION 3.B - Partnering and Procurement**

5%

The Council are looking to secure a development partner for the delivery of the whole development site. Please demonstrate how you would manage your

obligations and relationships. In no more than 4 A4 Pages:

- Please articulate your approach to delivering the development in partnership with the Council, as a public sector organisation;
- Please articulate your approach to procuring contractors and other significant members of your supply chain (including professionals) to deliver value for money and how you will ensure their shared commitments to the Council's regeneration vision and Investment Objectives;
- Please articulate your approach to the appointment of other architects, noting the SPD's preference for the involvement of multiple practices; and
- Please articulate your approach to ensuring that best practice is embedded in your approach (including but not limited to sustainability, diversity and inclusion, modern slavery, use of SMEs, and other social value imperatives).

*As a minimum requirement your Bid should be able to address all of the above bullet points, ensuring alignment with the Development Brief.*

## **PART B: COMMERCIAL**

### **4. Market**

#### **QUESTION 4 - Market**

**WEIGHTING**

**OVERALL WEIGHTING FOR THIS QUESTION**

**7.5%**

#### **QUESTION 4 -Market understanding**

**7.5%**

Attracting appropriate occupiers to the development site is crucial for the successful delivery of the Council's vision and Investment Objectives. In no more than 5 A4 Pages:

- Your evidenced-based assessment of the appropriate mix of space to be delivered as a 'creative quarter' and the target end users;
- Your evidence-based assessment of the appropriate mix of ground floor tenants to act as 'activators' for the site and view on market demand;
- Your evidence-based assessment of the appropriate mix of residential products;
- Your approach to marketing and letting of the commercial space; and,
- How this market assessment impacts on your proposals for delivery.

**In assessing the response, the extent to which your response is consistent with the Quality responses and the financial responses in question 5 will be taken into account, and any material inconsistency will**

**be negatively scored.**

*As a minimum requirement your Bid should be able to address of the above bullet points with regard to the Vision for the development site and the Investment Objectives, as well as the factors identified in the Development Brief and SPD that have a bearing.*

## 5. Financial

### QUESTION 5 – FINANCIAL

### WEIGHTING

#### OVERALL WEIGHTING FOR THIS QUESTION

12.5%

#### QUESTION 5.A - Financial submission

7%

Please use the Excel document titled 'Financial Template' (ITPD Document 4) to complete the worked example. The Financial Template completed at Part A of Question 5 acts as a case study to test Bidders on their assumptions for a hypothetical phase 1 development. By completing this template Bidders are not committing to deliver this mix of phase 1 uses and this does not constitute a land payment offer. This case study will be used as a hypothetical test to understand each Bidders' approach to maximising the residual land value.

The following Bidder inputs to the Financial Template will, however, form part of a Bidders offer and will be fixed in the Development Agreement:

- Profit (% on cost or GDV) levels required for different use types / tenures
- Development Management Fee (% of cost or GDV)

Bidders are asked to make their financial submission by completing the Financial Template provided (using ITPD Document 4) based on the instructions contained within it, and the following guidance.

The financial assessment is based on the delivery of the first phase of the scheme as detailed in the Arup Development Proposals area schedule which forms part of the Bidder information pack.

The accommodation schedule for the first phase of the scheme has been included in the "Phase 1 Assumptions" tab with total development quantum expressed as Gross internal Areas (GIAs) for each use class. Bidders are to use this tab to populate the accommodation schedules by allocating their breakdown of type, tenure and use from these totals to demonstrate their proposed first phase scheme on the site.

**It should be noted that Bidders cannot change the total GIA, they should simply allocate their uses based on these totals.**

Bidders should then include their underlying assumptions within the "Phase 1 Assumptions" sheet including costs, income, sales rate, values, timescales, development management fee, finance rate, contingency and profit as per the relevant tables in the worksheet.

These entries should then be used as the basis to complete the Phase 1 Appraisal worksheet which will establish a case study land value for the Phase 1 scheme.

Finally, Bidders should input the timing of the Phase 1 payment on the Residual Land Value sheet. These are then discounted to establish the Overall Financial impact (OFI) of the case study residual land value that is used for the evaluation of Bidders' financial submissions for this question

**QUESTION 5.A – SCORING APPROACH**

*The calculation of the score for the OFI will be carried out as follows.*

*The submission OFI and the highest tendered OFI submitted are used as reference points. The individual Bidder's OFI is divided by highest OFI submitted and then multiplied by the percentage weighting allocated to this question (7%).*

*The highest OFI will receive the maximum percentage score available. Remaining OFIs will then be scored relative to the highest OFI offer which will be as per the following formula:*

$$\text{Bidder's submitted OFO} \quad \times \quad \text{Maximum available score (7\%)}$$

*Highest submitted OFO*

*The Price evaluation carries 7% of the overall marks and, for example, if there are four tenders received to be evaluated which are priced at £15,000,000, £30,000,000, £23,000,000 and £32,000,000 scores would be as in the following table:*

	<b>Bidder A</b>	<b>Bidder B</b>	<b>Bidder C</b>	<b>Bidder D</b>
<b>Total Bid Price</b>	£15,000,000	£30,000,000	£23,000,000	£32,000,000
<b>Score out of 7%</b>	<b>3.28%</b>	<b>6.56%</b>	<b>5.03%</b>	<b>7.00%</b>

*Bidder D is the highest (£32,000,000) and thus would score the maximum 7.00% points. The other Bidders would be marked as per the table.*

*The above example is for illustrative purposes only and all scores have been rounded to two (2) decimal places (as will be the case for the Bidders' scores).*

**QUESTION 5.B – Commercial narrative**

5.5%

In no more than 10 A4 Pages, Bidders are asked to provide a commercial narrative that provides justification and evidence to support the assumptions included in their completed Financial Template in answer to Question 5.B.

The narrative should include but not necessarily be limited to the following

aspects of your Financial Template:

- The development, construction and sales phases of the phase 1 case study
- Estimated scheme revenues. These should be broken down by use type and tenure mix. They should show the detailed assumptions behind the information included in the Financial Template;
- Comparable evidence and analysis to demonstrate that the revenue assumptions adopted for sales rates, capital values, rentals, incentive packages and investment yield across all relevant property sectors are robust and achievable;
- Development specification, cost plan and disposal strategy for the scheme
- Details of other development cost assumptions along with rationale for their adoption including:
  - Contingency rates;
  - Development management fees;
  - Profit rates; and
  - Finance costs and interest rate assumptions, including peak funding requirements;
- As part of the submission Bidders should identify the key delivery risks within the proposal.
- Identification of funding requirements and timings for the successful delivery of the scheme;

Bidders should detail the research they have undertaken, including references to their own market analysis and third-party evidence for all assumptions included in the template.

**In assessing the response, the extent to which the submissions in respect of Question 5.A and 5.B are consistent with the Quality responses will be taken into account, and any material inconsistency will be negatively scored.**

**Bidders should note that at Final Tender stage, Question 5.B will have a threshold score of 4. A Bidder who scores less than a 4 in this question at Final Tender stage will be disqualified and excluded from any further participation in this procurement process.**

## 6. Legal

### QUESTION 6 – LEGAL

### WEIGHTING

OVERALL WEIGHTING FOR THIS QUESTION

10%

Question 6 - Legal<sup>3</sup>

10%

<sup>3</sup> In relation to Question 6 -Legal, all bidders were instructed not to provide a commentary and mark-up on the Key Commercial Principles Paper in their final tenders because it was apparent that the mark-ups and commentaries from the bidders on the Development Agreement would address all matters and the consequent duplication would be unnecessary.

Having regard to the Key Commercial Principles Paper (ITPD Document 3) and draft Development Agreement (ITPD Document 5):

- Please provide a clean copy and a comparison mark-up with accompanying explanatory commentary on commercial and legal principles contained within the Key Commercial Principles Paper;
- Please provide a clean copy and a comparison mark-up with accompanying explanatory commentary on commercial and legal principles contained within the draft Development Agreement;
- Please indicate (within your mark-up and/or explanatory commentary, as appropriate) which elements of your proposals (as outlined in your responses to the questions above) you would be prepared to commit to contractually and, where appropriate, how this commitment will be secured e.g., by guarantee. (Note, as per the financial questions (Question 5.A and 5.B), Bidders inputs for profit and development management fees will be fixed in the Development Agreement);
- Please highlight (within your mark-up and/or explanatory commentary, as appropriate) any major risks or concerns over your ability to deliver any of your responses as contractual commitments;
- Please include (within your mark-up and/or explanatory commentary, as appropriate) any proposals which, for the Council, may be a beneficial change to the Key Commercial Principles Paper or draft Development Agreement; and
- Please indicate (within your mark-up and/or explanatory commentary, as appropriate) how you intend to contract with the Council (directly, via SPV or specify alternative).

**Bidders responses to this question should be consistent with their submissions for the Quality Questions (Questions 1-3) and the other Commercial Questions (Questions 4-5).**

**Bidders commentary tables submitted in response to this question should use the below format.**

Number	Clause ref	Item	Narrative against amendment made and benefit and/or evidence of compliance with Key Commercial Principles document (ITPD Document 3)	Council's response
1				<i>[To be left blank for completion by Council]</i>
2				
etc				

*Bidders will be evaluated on the basis as to whether the proposed change will*

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*The evaluation of final tenders was therefore conducted by reference to the mark-up and commentary on the Development Agreement.*



*be beneficial to the Council in terms of transfer of risk from the Council to the developer in relation to the significant provisions as listed in the Key Commercial Principles Paper.*

## Scoring methodology

The scoring matrix for evaluating submissions made against each of Questions 1-4 is set out at Table 3 below.

The scoring matrix for evaluating submissions made against Question 5.B is set out at Table 4 below. Evaluation of submissions made against Question 5.A will be carried out as set out in Question 5.A at Section 9 below.

The scoring matrix for evaluating the submissions made against Question 6 is set out at Table 5 below.

Please note that where answers are scored, no scores other than as stated will be given (i.e., there will be no odd number or decimal/fraction marks awarded).

### Table 3 - Scoring matrix (Questions 1-4)

*To be read in conjunction with the Investment Objectives as set out at Section 4.2 of the Development Brief (Document 4). The scoring below will factor in the consistency between the Quality answers and Commercial answers as referred to in Question 2 (Planning), Question 4 (Market) and Question 5.B (Structure and Finance), such that a “material inconsistency” will be taken into account.*

Score	Description
10	Exceptional – A response that exceeds the minimum requirements as set out within the question by providing evidence of two or more items of significant added value and is fully aligned to the overall Investment Objectives.
8	Very Good – A response that exceeds the minimum requirements as set out within the question by providing evidence of one item of added value and is fully aligned to the overall Investment Objectives.
6	Good – A response that fully meets the minimum requirements as set out within the question with no reservations that reflect no risk to the overall delivery of the Investment Objectives.
4	Adequate – A response that meets the majority of the minimum requirements as set out within the question but with isolated/minimal reservations or omissions that represent a minimal risk to the overall delivery of the Investment Objectives.
2	Poor – A response that meets a limited number of the minimum requirements as set out within the question with a number of concerns or omissions that are considered to be of significant risk to the overall delivery of the Investment Objectives (including a “material inconsistency”).
0	Unacceptable – A response that fails to meet the minimum requirements as set out in the question with fundamental concerns or omissions and a response that has

no consideration of the overall Investment Objectives (including a “material inconsistency”).

**Table 4 - Scoring matrix (Question 5.B)**

*Please note that evaluation of submissions made against Question 5.A will be carried out as set out in Question 5.A at Section 9 below.*

Score	Description
10	Exceptional – The justification and evidence presented provides a very high degree of confidence in the OFI assumptions and completed Financial Template, with no reservations.
8	Very Good – The justification and evidence presented provides a high degree of confidence in the OFI assumptions and completed Financial Template, with only minor reservations.
6	Good – The evidence and justification presented supports a significant majority of the OFI assumptions and completed Financial Template to a reasonable extent, though reservations remain for some assumptions.
4	Adequate – The evidence and justification presented supports the majority of the OFI assumptions and completed Financial Template to a reasonable extent, though material reservations remain for some assumptions.
2	Poor – The evidence and justification presented is insufficient to support the majority of the OFI assumptions and completed Financial Template, though some are reasonably justified.
0	Unacceptable – The evidence and justification presented provides no basis to support the OFI assumptions and completed Financial Template.

**Table 5 - Scoring matrix (Question 6)**

Score	Description
10	Exceptional – Demonstration by the Bidder of its acceptance of all the material terms of the Contract and risk allocation as proposed by the Council together with suggestions (and justification) which will offer significant added value.
8	Very Good – Demonstration by the Bidder of its acceptance of the vast majority of the material terms of the Contract and risk allocation as proposed by the Council. No material deviations from the Council’s position except where the Bidder has demonstrated that there is no material detriment to the Council in its proposals.
6	Good – Demonstration by the Bidder of its acceptance of the majority of the material terms of the Contract and risk allocation as proposed by the Council. Some deviations whose cumulative effect adversely affects the Council’s position but not to a significant extent.

- |   |  |
|---|--|
| 4 | Adequate – Demonstration by the Bidder of its acceptance of some the terms of the Contract and risk allocation as proposed by the Council with material deviations that would adversely affect the Council’s position.                                       |
| 2 | Poor – Reservations of the Bidder’s acceptance of some of the terms of the Contract and risk allocation as proposed by the Council – substantial deviations from the Council’s position that would materially adversely affect the Council’s position.       |
| 0 | Unacceptable – Does not meet the requirement. Does not accept the material terms of the Contract and risk allocation as proposed by the Council – and/or the Bidder has proposed amendments which alter the risk allocation to a wholly unacceptable degree. |

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**9 APPENDIX Ciii – MODERATED SCORING FROM SELECTION QUESTIONNAIRE (EXEMPT)**

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