

REPORT TITLE: BAR END DEPOT, BAR END ROAD, WINCHESTER - DISPOSAL

15<sup>TH</sup> OCTOBER 2024

REPORT OF CABINET MEMBER: CLLR MARTIN TOD – LEADER AND CABINET MEMBER FOR ASSET MANAGEMENT

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WARD(S): ST MICHAEL

## PURPOSE

The former Bar End Depot site ('the Site') is an unoccupied 2.84-acre freehold Council owned site that has been largely unused for over 7 years. It has been identified for a number of years for disposal to facilitate its redevelopment and generate a capital receipt for the Council.

In October 2020, Cabinet approved marketing of the Site, with timing delegated to the Strategic Director, but approval of the preferred bidder would be subject to further Cabinet approval.

Marketing of the Site took place with the benefit of independent advice and was set within the Council's existing policies and statutory obligations. Following a full marketing exercise, that attracted strong market responses, and a comprehensive public engagement process, a preferred bidder has been identified for recommendation. This report seeks Cabinet Approval to the freehold sale of this Site on a conditional contract to McCarthy & Stone, subject to the purchaser obtaining planning consent.

This report sets out the planning policy, public engagement, marketing and bidder selection process that has been undertaken to secure the recommended preferred bidder.

Redeveloping the former Bar End Depot site will:

- (i) create much needed new private and affordable housing for the district

- (ii) provide an important convenience store for the local community, who throughout consultation identified this as their highest priority
- (iii) enhance pedestrian routes through the Site, affording improved access to the Winchester Sports and Leisure Park and other local facilities
- (iv) create new jobs in the local area
- (v) reinforce sustainability of the Highcliffe area
- (vi) include essential healthcare provision for senior residents of the District
- (vii) improve this major gateway entrance to the city in terms of built-form and mixed use
- (viii) be complementary to the Winchester Sport and Leisure Park ('WSLP') and the King George V Pavilion
- (ix) make productive use of brownfield land
- (x) generate a significant capital receipt to help support delivery of Council services.

RECOMMENDATIONS:

1. That Cabinet approve a conditional freehold sale contract (subject to planning) with **McCarthy & Stone Retirement Lifestyles Limited** on the terms set out in the exempt heads of terms at Appendix 5.
2. That authority be delegated to the Strategic Director to agree final details of the contract of sale within the parameters set out in Appendix 5.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

#### 1.1 Tackling the Climate Emergency and Creating a Greener District

As part of the bidding and selection process, all parties were asked to explain their commitment to climate change. The proposed scheme is not yet designed but will incorporate best practice. The new homes will be built to standards that are above building regulation energy efficiency standards, thus supporting the Greener Faster Council Plan priority. The redevelopment will improve permeability and pedestrian access through the site and support the Council's '20 minute' accessibility goals. Traffic generation to and from the Site will be minimised due to the proposed user mix typically attracting less car ownership for senior living. The Site currently comprises a range of industrial and commercial buildings and bare concrete hardstanding. Landscaping and green buffer zones, in accordance with the Bar End Design Framework, will significantly improve the Site's biodiversity.

#### 1.2 Homes for all.

Subject to planning consent, the proposed scheme will incorporate 56 senior living units, a 72-bed care home, and 38 affordable housing apartments. Separately from this paper the Council is investigating the potential to acquire the affordable housing units to be retained in the Council's housing revenue account.

#### 1.3 Vibrant Local Economy

The proposed scheme will include a much needed 4,300 sq ft convenience store that will generate an estimated 15 jobs. The senior living and care home buildings will create an estimated 100 jobs.

#### 1.4 Living Well

The provision of a convenience store will benefit the local community. New residents will be encouraged to use the adjoining WSLP. It is anticipated that senior living and some care home residents will make good use of the hydrotherapy pool. There will be greater permeability through the Site to the WSLP. The site's natural environment and biodiversity will be significantly enhanced from its current hard surfaced landscape.

#### 1.5 Your Services, Your Voice

The 2018 Bar End Design Framework and 2016 Highcliffe Community Plan have been comprehensively referenced during the four public engagement events undertaken during 2022 and 2023. The preferred bidder scheme will include all key elements of the 2018 Design Framework and will build on these during the planning application process.

## 2 FINANCIAL IMPLICATIONS

- 2.1 The disposal of the site will result in a capital receipt. The Council can use capital receipts to fund capital expenditure either for future projects or to reduce the borrowing requirement for previous unfinanced capital projects. As part of Transformation Challenge 25 (TC25), the capital receipt will be applied to reduce the outstanding unfinanced capital expenditure in relation to the Winchester Sport & Leisure Park which stood at £35.7m as of 31 March 2024.
- 2.2 The consequence of applying a capital receipt to the unfinanced capital expenditure will reduce the ongoing Minimum Revenue Provision (MRP) charge, which is equivalent to the repayment of principal, and to either increase the return on investment that the Council receives due to higher cash balances and/or delay the need to externalise borrowing and therefore reduce interest payable. The estimated impact of this is detailed in exempt Appendix 3.
- 2.3 In addition to the reduction in the ongoing cost of borrowing, disposal of the site will remove the current business rates liability from the Council (currently circa £100,000) and so provide further revenue savings.
- 2.4 By applying the receipt to prior years unfinanced capital expenditure, the Council's ongoing expenditure is reduced which helps it meet the target to reduce the forecast deficit and ensures it can continue to deliver high quality services.

## 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 S123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is for the best consideration reasonably obtainable. This is in addition to the Council's powers under the general power of competence in section 1 of the Localism Act 2011 as well as the Council's powers to dispose of land under Section 123 of the Local Government Act 1972 and Section 233 of the Town and Country Planning Act 1990.
- 3.2 By carrying out a competitive process of inviting bidders to make best bids the Council can demonstrate compliance with the duty to obtain best consideration.
- 3.3 The proposed transaction is a freehold land disposal, the Public Contracts Regulations 2015(PCR) do not oblige the Council to pursue an OJEU procurement process. Only where the purchaser is under an obligation to carry out specified works (conferring a pecuniary benefit for the Council) will that obligation arise and therefore is not applicable in the circumstances within the proposal the subject of this report

## 4 WORKFORCE IMPLICATIONS

None

## 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Depot site has been largely unused for seven years, save for use by Hampshire Cultural Trust and temporary uses by construction contractors delivering key projects for WCC, such as WSLP and Winnall Flats. The site was due for marketing in 2021 but the pandemic caused an 18 month hiatus in demand for development sites, while increased costs of construction meant that many schemes became unviable at the time.
- 5.2 The Council has no ongoing requirement for the site, and the development market has recovered to a satisfactory position, sufficient to generate strong freehold bids. A freehold sale represents good use of an unused Council asset and is consistent with the Council's Asset Management Strategy and legal obligation to achieve best consideration.
- 5.3 Redevelopment of the site will enhance the local area in terms of vibrancy, placemaking, provision of housing and convenience retail. This is a gateway site that currently underperforms as a principal route into the city. The proposed scheme is intended to elevate the location and make best use of the brownfield site in delivering Council Plan objectives.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 The Highcliffe Community Plan 2016 and The Bar End Design Framework 2018 were the result of extensive consultation with the local community over a period of three years. The documents set out local aspirations and adopted a framework for development of the new Winchester Sports and Leisure Park and surrounding area.
- 6.2 As part of the marketing process for the Bar End Depot site, the Council arranged four Highcliffe community engagement events on the 8<sup>th</sup> March 2022, 21<sup>st</sup> November 2022, 24<sup>th</sup> November 2022, and 4<sup>th</sup> September 2023. The purpose of these events was to inform the community about the Council's marketing programme and seek feedback on the process and outcomes. Ward councillors were also invited to these events.
- 6.3 The Highcliffe Forum presented a petition to Full Council on the 18<sup>th</sup> September containing 353 signatures from the Highcliffe area. Officers and the leader of the Council met with representatives of the forum on the 16<sup>th</sup> September to better understand their request contained in their petition. The Highcliffe forum requested that "Winchester City Council provides space for a community hub to serve Highcliffe and the local area in any redevelopment of the Bar End Depot site". Cllr Tod confirmed in response at the Full Council meeting, that this important issue would be considered by Scrutiny Committee and by Cabinet on the 15<sup>th</sup> October.
- 6.4 Cabinet may wish to consider the relevant factors including chronology of public engagement from the Highcliffe Community Plan 2016 to the delivery of the Council's new King George V pavilion (KGV). The Council are already in dialogue with the Boxing Club about alternative permanent accommodation

and are in direct contact with the Chief Executive of Youth Options to review youth provision priorities across the District.

- 6.5 Priorities voiced by Highcliffe residents in the 2016 Highcliffe Community Plan were incorporated into the 2018 Bar End Design Framework (see para 11.2 below). In response to resident's desire for a community facility, the Council has invested £4 million in the recently opened KGV. There were two rounds of consultation for the KGV Pavilion which concluded 'KGV is a central point for Highcliffe residents to gravitate and meet'. Community feedback called for the KGV pavilion to be available for community purposes and for there to be a community room. This has been delivered and is available for the Highcliffe community. Highcliffe residents also have the benefit of a £42 million leisure park immediately next door, a facility that was not fully envisioned in 2016.
- 6.6 It is worth noting that Highcliffe Forum made no representations for community space on the Site in response to the Local Plan Regulation 18 consultation. It is also worth noting that during the March and November 2022 public engagement exercises it was a convenience store that was highlighted as the community's highest priority and not a community facility.
- 6.7 The proposed development of the Site responds to all elements of the Bar End Design Framework and Highcliffe Community Plan. The decision before Cabinet relates to a disposal of land and not the procurement of community facilities.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The site is contaminated with petrochemicals from its former use and lacks any current environmental diversity. The site will be remediated and presents a significant opportunity for Biodiversity Net Gain.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 Development of the Site incorporating senior living, elderly residential healthcare, and affordable homes represents an inclusive mix of uses. The former two uses will, as a natural consequence, liberate family homes in the district.
- 8.2 A convenience store will provide a greater range of products at more competitive prices than current local provision.
- 8.3 The development will afford permeability for much improved accessibility.
- 8.4 This a disposal of land and not the procurement of services by the Council. Specific details of design will be the subject of a planning application to be submitted by McCarthy & Stone.

9 DATA PROTECTION IMPACT ASSESSMENT

None

10 RISK MANAGEMENT

| <b>Risk</b>   | <b>Mitigation</b>  | <b>Opportunities</b>   |
|---|--|--|
| Financial Exposure  | Selling the site avoids ongoing maintenance and rates liabilities and produces a capital receipt.  | The capital receipt can be used to reduce previously unfinanced expenditure which would reduce the ongoing associated revenue costs. |
| Exposure to challenge<br>Challenge to achieving best consideration  | Comprehensive consultation and full marketing was undertaken independently by commercial agents  |  |
| Innovation  | N/A  |  |
| Reputation<br>The council's reputation could be harmed if it is not possible to demonstrate consultation leading to the recommended decisions and the ability to achieve best consideration | Significant consultation has taken place to inform the marketing of the site. Independent support was employed in the marketing exercise to ensure best consideration was obtained. Independent support was employed for public engagement events. |  |
| Achievement of outcome  | Full marketing and selection of a preferred bidder has been undertaken.  |  |
| Property  | Local vandalism has been an issue that has cost the Council in repairs and security. A disposal limits future liabilities.   |  |
| Community Support<br>Community will object to the winning proposal  | Series of meetings held with local community. Proposals are subject to statutory planning process where local community will be consulted and will have  | Provision of affordable housing as part of the proposals<br>Provision of a convenience store as part of the proposals.               |

|   |   |  |
|---|---|--|
|   | ability to challenge proposals.   |  |
| Timescales<br>The developer could delay progressing the scheme when contracts have been exchanged     | The sale contract will include long stop dates by which the developer should achieve certain milestone events       |  |
| Project capacity<br>That the developer does not have sufficient capacity to bring development forward | Developer capacity and historical performance to deliver scheme was tested via the marketing and selection process. |  |
| Other   | N/A   |  |

## 11 **SUPPORTING INFORMATION:**

The Site (See plan at Appendix 1) extends to 2.84 acres and is bounded by Bar End Road, Milland Road, WSLP, and Winchester University Sports ground.

- 11.1 The Site is not allocated for development in the Council's Adopted Local Plan as it was used as a Council depot until 2018. The Site is within the settlement boundary (Policy DM1 in Local Plan Part 2, adopted April 2017). The Site is located close to the boundary of the South Downs National Park which means that careful consideration will need to be given to views into the Site, the siting, height and position of buildings and matters such as lighting. As the Site is also located on one of the key radial routes/gateways into/out of the city centre careful consideration will also need to be given to the design and layout of the site and in particular any buildings that front Bar End Road.
- 11.2 The future redevelopment of the Site has been the subject to range of public engagement and consultation events including:

**The Highcliffe Community Plan 2016:** Defined the community aspirations for the local area which included:

- A local convenience store
- Permeability from Highcliffe to the new WSLP
- Buffer zones of green space
- Height restrictions on new buildings
- Community space
- Mixed uses

**The Bar End Design Framework 2018:** Adopted a design framework for the WSLP and the surrounding area including the Site. Theme 4 on pages 22 and 23 of this document make reference to:

- Appropriate separation distances with existing adjoining residential properties



- Uses that take account of the new WSLP
- A buffer of natural vegetation along the northern boundary of the depot site
- Low vehicular traffic generation
- Vehicle access from within the WSLP site
- Improved pedestrian access across the western side of the depot site
- Scale and massing of buildings to be limited to a maximum height of 12m (3 or 4 stories) towards the north of the site and no more than the height of the new WSLP building on the south side.
- Noisy and polluting uses to be avoided.

### 11.3 Regulation 18 Local Plan:

In recognition that the Site is previously developed land (pdl) and the need to make the best use of vacant pdl, Policy W9 in the Regulation 18 Local Plan allocated the site for a mixed-use development including 30 residential dwellings, specialised facilities which include an element of care and residential development and a local convenience store. As a result of the 6 week public consultation on the Regulation 18 Local Plan there were only minor changes to the wording of the supporting text and Policy W9. These changes were mainly in relation to addressing the comments that were submitted by the Environment Agency in relation to the Site being located on a principal aquifer and ensuring that any proposed development avoids contamination to the aquifer.

### Regulation 19 Local Plan

- 11.4 At a meeting of Full Council on the 28<sup>th</sup> August 2024, Full Council agreed a six week public consultation on the Regulation 19 Local Plan which is now underway and this continues to allocate this previously developed site for mixed use development.

### 11.5 **Public Engagement and Marketing:**

Prior to engaging selling agents to undertake Stage One marketing to secure 'expressions of interest', the Council wanted the Highcliffe community to comment upon the programme for disposal, the potential for a healthcare use and any other suggested uses they may have for the site. A public event was held at the WSLP on 8<sup>th</sup> March 2022 with display boards providing background information and context for the site. The response was supportive of healthcare use and proposed development timeline, but the key theme to emerge was the community's wish for a convenience store.

Vail Williams (selling agents) were instructed to approach the market in June 2022 for 'expressions of interest' in the site. This exercise attracted 47 written expressions of interest from a wide range of developers and occupiers. It was important to feed these potential uses back to the Highcliffe community, so two further public engagement events were arranged for 21<sup>st</sup> November 2022 (for community groups and Cllrs) and the 24<sup>th</sup> November 2022 for the general public.

The November 2022 round of engagement sought to gather views of respondents preferred uses for the site, based upon the uses put forward by the market in Stage One marketing (for Expressions of Interest).

For commercial reasons, it was not possible to share the names of occupiers and developers who submitted expressions of interest. Instead, these expressions of interest were shown and arranged into six categories. Respondents were asked to rank their most to least preferred use for the site. The categories were:

1. Residential
2. Light Industrial
3. Healthcare
4. Retail
5. Leisure and Fast Food
6. Mixed-use

Where a respondent chose 'Mixed-use' as their most preferred use, they were asked to provide what their preference of uses would be. Findings from this engagement event were taken into consideration to help inform the Council's Stage Two marketing of the site for formal offers, launched in summer 2023.

Respondents fell into two categories (i) those living in St Michael's Ward (including Highcliffe) and (ii) those living in the wider Winchester area and beyond. The highest preference, across all respondents was for a mixed-use development to come forward.

For those responding to the engagement event living within St Michael ward, there was a preference in favour of retail as the most preferred use. Outside of the ward, there was a significant degree of preference for leisure and fast-food uses.

While residential was viewed as a less preferable use by those living outside of the local area, respondents living within St Michael's Ward (including the Highcliffe area) were more favourable. Of those who commented specifically on a residential use coming forward, respondents were keen to see affordable housing that was suitable for existing residents but not students.

A healthcare use, between both groups of respondents was viewed as neither preferable or unpreferable.

A light industrial use for the site was seen as the least preferred use by both groups of respondents.

The Council's conclusions on target uses for Stage 2 marketing were:

- Residential – favoured locally and aligns with Council aspirations.
- Light Industrial – was discounted as least favoured use and one that is least compatible with the neighbouring residential and leisure uses.
- Healthcare – previously supported by Highcliffe residents at the March 2022 public engagement.
- Retail – food retail was the local community's most preferred use.
- Leisure and Fast Food – discounted due to this representing (i) the least valuable site value, (ii) an inappropriate use of public funds given the existing £42m leisure facility recently built by the Council next door, and (iii) a conflict with city centre food & beverage provision.
- Mixed-use – The local community and Council aspirations agree that a mixed-use development would be a preferred outcome.

The proposal to target residential, healthcare and food retail uses for Stage 2 marketing was taken to a fourth community engagement event held on 4<sup>th</sup> September 2023 at the Guildhall, with the Council Leader and ward councillors in attendance.

Redwood media consultants were appointed to advise and assist in all public events.

- 11.6 **Bidder Selection:** Stage 2 marketing for formal bids started in October 2023 and concluded in November 2023 with 27 formal bids. The top four bidders were interviewed, followed by a request for best and final bids from each party. The following table provides a summary of the final shortlisted bids, excluding the commercially sensitive information. The full table with the financial bids is included as exempt Appendix 3.

### **Bar End Shortlisted Bids. Scores.**

#### **Scoring 1 to 5**

1 = Unsatisfactory. Lacks supporting evidence.

2 = Not at required level

3 = Satisfactory

4 = Good

5 = Excellent

| <b>Evaluation Criteria</b>                     | <b>Bidder A Net Bid</b>   | <b>Bidder A Score</b> | <b>Bidder B Net Bid</b>                                 | <b>Bidder B Score</b> | <b>Bidder C Net Bid</b>                                 | <b>Bidder C Score</b> |
|--|---|-----------------------|---|-----------------------|---|-----------------------|
| Price  |   | 5                     |   | 4                     |   | 3                     |
| Covenant Strength & Funding                    |   | 5                     |   | 3                     |   | 3                     |
| Delivery method                                | In-house construction team and sub-contractors                          | 5                     | Tendered building contractor                            | 3                     | In-house construction team and sub-contractors          | 5                     |
| Experience and Track Record                    |   | 5                     |   | 3                     |   | 5                     |
| User Mix                                       |   | 5                     |   | 5                     |   | 5                     |
| Planning Policy & Bar End Framework Compliance |   | 4                     |   | 5                     |   | 5                     |
| Highways Compliance                            |   | 3                     |   | 3                     |   | 3                     |
| Use Compatibility with WSLP                    |   | 4                     |   | 4                     |   | 5                     |
| Affordable Housing Offer                       | 40% of entire scheme (38 units)<br>Discount to market value not stated. | 5                     | 47% of market housing (21 units) at 76% of market value | 3                     | 40% of market housing (25 Units) at 60% of market value | 4                     |
| <b>Total Score</b>                             |   | <b>41</b>             |   | <b>33</b>             |   | <b>38</b>             |

11.7 11.7 As can be seen across all criteria the ranked scores shows that Bidder A, McCarthy & Stone, score the highest and is thus the recommended bid.

11.8 The **redacted outline Heads of Terms** proposed in the sale to McCarthy & Stone include:

11.8.1.1 The Freehold sale of 2.84 acres of land comprising the former Bar End Depot site

- 11.8.1.2 Within six months from exchange of contracts the purchaser shall submit a planning application for development of 56 retirement living apartments; a 72 bed care home; 38 affordable housing units; and a 4,300 sq ft convenience store. There will be a 24-month longstop date for obtaining planning permission.
- 11.8.1.3 Subject to a minimum guaranteed price, there will be deductions allowed for S106, S278, Biodiversity Net Gain, nutrient, and CIL contributions; demolition, contamination, foundations, and utility connection costs.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Do Nothing: Discounted due to ongoing financial liabilities and not a good use of Council assets.
- 12.2 Leisure: Discounted due to the significant investment already made by the Council in the adjoining WSLP and KGV Pavilion.
- 12.3 Light Industrial: The least compatible use for the location due to potential noise and traffic generation.
- 12.4 A high-level request for community space had been initiated by the Highcliffe Forum during previous public engagement, although with no specific information on how such a facility would be used, funded or operated. The most recent request was received via petition after the marketing process had concluded. Although possible to re-market the Site with a requirement for a community space, this would undoubtedly impact negatively on the reputation of the Council and the outcomes of any future marketing process. Inclusion of a community space would have to be at the expense of a convenience store or affordable housing provision and would adversely affect viability. There is no clear exposition of how the community space would operate and be able to fund running costs of the building. Use of Community Infrastructure Levy funding to finance the community space would be a lost opportunity cost to other parts of the district that have not enjoyed the level of investment of CIL enjoyed by the Highcliffe community. There is alternative community space available in the locality albeit not to the specific requirement of the Highcliffe forum. For these reasons it is not recommended to halt this decision and remarket the site with a requirement for a community space.

### BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

The October 2020 Cabinet approved the marketing of this site see - [CAB3268 - Bar End Depot Marketing report](#)

Other Background Documents:- None.

APPENDICES:

Appendix 1 – Site Plan

Appendix 2 – Bar End Design Framework 2018

Exempt Appendix 3 – Financial Appraisal

Exempt Appendix 4 – Bidder Evaluation

Exempt Appendix 5 – Preferred Bidder Heads of Terms