CAB3570
CABINET

REPORT TITLE: CENTRAL WINCHESTER REGENERATION – UPDATED BUSINESS CASE

25 AUGUST 2026

REPORT OF CABINET MEMBER: Cllr Martin Tod, Leader and Cabinet Member for Regeneration

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WARD(S): ALL WARDS

PURPOSE

Central Winchester Regeneration (CWR) is a once in a lifetime opportunity to transform the centre of our historic city via a comprehensive regeneration scheme. Bringing homes for local families, providing jobs for local people, making a visit to this heritage city one which will be remembered.

In March 2023 the Council appointed Partnerships & Places LLP (known locally as Jigsaw) as their development partner. This included the Development Partner Business Case (CAB3371) for the appointment of Jigsaw.

Jigsaw has progressed their planning application to the stage that they now wish to seek approval from the Council as landowner to submit a planning application for the following:

- 232 homes 17,885 sqm NIA
- 3,619 sqm of commercial floorspace
- 6,600 sqm of new public squares, streets and routes
- 1,275 sqm of children's play space
- Creation of a new Woolstapler's Square and opening up of the Abbey Mill Stream as a significant public realm feature
- Retention and reuse of Kings Walk and the Antiques Market
- 64 new trees, net increase of 700% compared to existing provision

- Largely car-free development
- 587 cycle parking spaces proposed
- Net-zero operational carbon on site targeted
- Fabric-first design with air source heat pumps and photovoltaic panels
- BREEAM Excellent targeted for new non-residential floorspace
- New public spaces in Middle Brook St and on the western part of the existing bus station

This paper now brings forward an update on the business case, primarily focusing on the Financial Case arising from the proposed scheme, since the procurement of Jigsaw did not seek a scheme to be developed as part of that process. We have also taken the opportunity to update the other elements of the Business Case and evaluating the objectives set by Cabinet in late 2021 against the Jigsaw proposals using the 5 core dimensions of the Treasury framework for developing business cases: namely.

- The Strategic Case-the case for change
- The Economic Case-value for money
- The Commercial Case-procurement and market
- The Financial Case-affordability
- The Management Case-deliverability

This report outlines the current position, explains the changes since the Outline and Development Partner Business Case were considered in November 2021, and March 2023 respectively. It seeks the Council's approval, in its capacity as landowner, for Jigsaw to submit a planning application.

The paper also recommends that as part of providing the best bus infrastructure possible, the Council should seek to accept a surrender of the lease to M&S for the car park in Tanner St, including the use of Compulsory Purchase powers if negotiation isn't successful.

RECOMMENDATIONS:

1. That Cabinet notes the updated Business Case as presented in Appendix A and Exempt Appendix B.
2. That Cabinet approves the submission, by Partnership and Places LLP, of the planning application as outlined in Appendix D to the Local Planning Authority.
3. That Cabinet approves a capital budget and expenditure of up to £450,000, funded by prudential borrowing, to agree the surrender of the lease of the

M&S car park in order to enable the proposed bus infrastructure to be provided.

4. That Cabinet authorises the Strategic Director with responsibility for the Central Winchester Regeneration project to negotiate the surrender of the lease of the M&S car park in Tanner Street.
5. That, should negotiations for the surrender of the lease of the M&S car park on Tanner Street prove unsuccessful, Cabinet resolves to exercise compulsory purchase powers to facilitate its acquisition and authorises the Strategic Director with responsibility for the Central Winchester Regeneration project to undertake all necessary investigations and preparatory work required for the making of a Compulsory Purchase Order.
6. That Cabinet authorises the Strategic Director with responsibility for the Central Winchester Regeneration project, in liaison with the S151 officer, to continue to negotiate with Jigsaw on the commercial terms within the Development Agreement to reflect the Council's investment in the project.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

Creating places for people and communities to live, work and thrive is of paramount importance to the Council. To bring forward the best possible development that respects the past and brings opportunity for the future, the Council has appointed Jigsaw, a Development Partner that shares the same vision and ambition to deliver vibrant new mixed-use development that will be creative and innovative.

1.1 Greener Faster

The Council has declared a Climate Emergency and addressed the climate crisis and reaching carbon neutrality is the Council's overarching priority.

1.2 Thriving Places

The Council is driving sustainable growth through its Green Economic Development Strategy, which sets out opportunities to build a nationally significant cluster in creativity, design, heritage, and nature-based professional services, while also strengthening a large-scale network of creative industries.

1.3 Healthy Communities

The Council's ambition is for all residents to live healthy and fulfilling lives, feel safe and secure in their neighbourhoods, and enjoy the recreational and cultural opportunities the district has to offer. To achieve this, the Council is committed to investing in public spaces and working closely with partners to foster a sense of pride in place among residents.

1.4 Good Homes for All

Housing in the Winchester district is expensive and finding suitable accommodation which is affordable is a challenge for our young people and families.

1.5 Efficient and Effective

The CWR Programme is being managed in line with the Council's project management framework. This includes maintaining, reviewing, and updating the programme risk register and ensuring that appropriate mitigation measures are implemented.

Quarterly highlight reports are submitted to the Council's Project and Capital Programme Board for review. A summary of progress is also included in the quarterly performance report, which is considered by the Scrutiny Committee before being presented to Cabinet.

1.6 Listening and Learning

The Council is committed to ensuring that everyone in the district, regardless of their background, income, or life circumstances, has the opportunity to make their voice heard, and that these views are carefully considered and acted upon.

Public views have informed the adoption of the Central Winchester Regeneration Supplementary Planning Document (SPD), as well as the subsequent development proposals. Ongoing engagement will continue to help shape the regeneration of central Winchester as the programme progresses.

2 FINANCIAL IMPLICATIONS

2.1 The Council entered into the Development Agreement (DA) in April 2024, having had the financial implications set out in the report approving the appointment of Jigsaw (CAB3371). In considering whether to agree to the submission of the planning application to the Local Planning Authority, the Council must have regard to its fiduciary duty to act in the best interests of the district's council taxpayers and in its role as custodian of the Council’s assets.

2.2 It is important to note that the Council’s primary driver in progressing the CWR project is not financial return. Rather, it is focused on delivering the wider social, economic and environmental benefits that the regeneration of the area will bring to the city and the wider district. These benefits were identified and set out in the Outline Business Case, which was approved by Cabinet in December 2021 and by Full Council in January 2022.

2.3 However, the regeneration of central Winchester must be affordable and financially sustainable for the Council. The wider macroeconomic environment has remained challenging since 2021, and these challenges have intensified since the appointment of Jigsaw. To inform decision-making, the Council has commissioned an updated business case to build upon the work undertaken through the Strategic Business Case, Outline Business Case and the Developers Business Case that was produced at the time Cabinet decided to appoint Jigsaw. At that point the Financial Case was limited because there was no scheme to assess. It is therefore appropriate to consider the Financial Case now there is a proposed scheme that Jigsaw are intending to submit. The updated business case is contained in Appendix A and Exempt Appendix B. It reviews the proposed scheme against the original project objectives and considers the macroeconomic factors affecting development across the country. The updated business case also assesses the financial viability and deliverability of the proposed scheme in the context of current market conditions and the Council’s strategic objectives.

2.4 The Council has been aware from the outset, following the submission of Jigsaw’s initial financial model (reported in CAB3484), that the regeneration of central Winchester would be financially challenging. This is due both to the SPD agreed in 2018 and the objectives established for the scheme in 2021.

All developments have to contend with wider economic factors, including sustained increases in construction costs that have significantly outpaced growth in residential and commercial values. The updated business case sets out these challenges in detail and considers their impact on the viability and deliverability of the proposed development.

2.5 The current financial model does not generate a residual land value for the Council, which differs from the position presented at the time of the Outline Business Case (OBC) approval. As outlined in the Exempt Appendix B - there are a number of reasons for this. The DA includes a review mechanism specifically designed to address changes in the financial viability of the scheme, and this mechanism has been utilised to explore opportunities to improve viability. These measures have included, as a last resort, reviewing the level of profit to which Jigsaw is entitled under the agreement. Exempt Appendix B provides further detail on this matter.

2.6 The Council currently receives net income of around £650,000 per annum from the assets located within the red line boundary of the DA. During the latter stages of the procurement process, shortlisted bidders were asked to identify options for replacing this income stream as part of the regeneration proposals. The OBC identified that replacement income could be generated through the conversion of any residual land value into the acquisition of an income-producing asset. However, as the current financial model does not generate a residual land value for the Council, there is no opportunity to create a replacement income stream through this mechanism. The updated business case assesses the implications of the loss of this income and the absence of replacement income on the Council's overall financial position. The majority of the lost income has already been factored into the council's budgets and the fact there is no opportunity to create a replacement income is considered affordable to the council in the context of its overall MTFS. The loss of income is gradual and is influenced by the phasing of works. The estimated timing of income loss is illustrated in the table below (expressed in today's terms).

	27/28	28/29	29/30	30/31	Ongoing
Loss of Income £000	61	104	610	656	656

2.7 It is important to note that the viability assessment reflects the position at the current point in time and is based on the information and assumptions available when the updated business case was prepared. The actual Land Value Thresholds, as defined in the DA, cannot be agreed with Jigsaw at precisely this point. The main reason for this is that negotiations are ongoing on a number of commercial matters with Jigsaw. Those negotiations will have an impact on the Land Value Thresholds, but the aim is to conclude those issues prior to submission of the planning application in October. As a result, the financial position may change between now and land drawdown in response to market conditions, development values, construction costs, and other economic factors. The assessment presented in the updated business case should therefore be regarded as a snapshot of viability at this stage of the project.

2.8 This updated business case reflects the latest proposed scheme and does not include the recently acquired former St Clement's Surgery site or the proposed acquisition of the M&S Car Park.

Bus infrastructure – purchase of M&S car park

2.9 In order to provide the proposed bus infrastructure, it is necessary to purchase the existing M&S car park within the central Winchester area as detailed in paragraphs 11.38 to 11.41. The total cost including Stamp Duty Land Tax and fees is estimated at up to £450,000. The estimated cost of borrowing to finance this expenditure is £30,000 per annum for 50 years made up of Minimum Revenue Provision (equivalent to principal repayment) and interest. M&S have agreed to a joint valuation of the site, which is currently being finalised.

Overage risk

2.10 When the council purchased the former Friarsgate Medical Centre (FGMC) in 2018, it entered into a Deed of Overage with the vendor dated 13 December 2018 with the planning overage period being 15 years from that date (CAB3045 refers).

2.11 The overage is calculated as £50 per square foot, indexed to RPI, of development on the former FGMC site in excess of 30,741 square feet of net internal area (NIA). The overage trigger event is defined as the "implementation of the planning permission" and it is on this date that the overage is calculated. The payment is considered consideration for purchase of the property by HMRC and so stamp duty land tax at 5% is also payable.

2.12 In the current plans it is proposed that development on this part of the site will amount to a total of 36,102 square feet NIA. If the overage were triggered today, this would lead to a charge of around £390,000 plus SDLT. The work on this element is not expected until the towards the end of the CWR development and so it is not anticipated that the overage will be triggered for several years if at all. Whilst it is not possible to know exactly what the liability will be when, and, if it is triggered, a reasonable estimate (based on historic RPI) indicates an amount of up to £500,000 plus SDLT of £25,000 may be required. If the ultimate development on this part of the site is less than proposed the overage payable would be less, or, if the trigger event occurred after 13 December 2033, this overage would not be payable at all. The actual amount payable will also depend on future RPI.

2.13 Jigsaw are under a "reasonable endeavours" clause in the Development Agreement not to trigger the overage clause and the floorspace figure that Jigsaw have designed to may be seen as a maximum amount of floorspace but is still subject to consideration of the planning application by the Local

Planning Authority. Therefore at this point in time there is considerable uncertainty about whether or not the overage clause will be triggered.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 In June 2021, the Strategic Outline Business Case was approved (CAB3033), confirming both the strategic direction and the preferred approach of delivering the scheme through a development partner. This was followed in December 2021 by the Outline Business Case (CAB3322), which set out the proposed procurement process and established the key objectives and commercial principles underpinning the scheme.

3.2 The Development Agreement (DA) was signed in April 2024 and the first milestone set out in the DA was approval of the Development Delivery Plan (DDP), which took place in March 2025 (CAB3484). Following GKRL's exit from the Partnerships & Places Consortium in late 2025, Cabinet approved the Change in Consortium Composition in January 2026 (CAB3536).

3.3 The Council entered into the Development Agreement with Jigsaw on 22nd April 2024, and this document governs the relationship between the Council and Jigsaw.

3.4 Under the DA, Jigsaw have to submit a planning application by March 2027 at the latest otherwise they are in default of the DA. It is Jigsaw's intention to submit the planning application in the late autumn once the Council, as landowner, has considered the contents of the planning application via this report.

3.5 The DA also set out a mechanism for how the two parties should govern the process following the signing of the DA. A Joint Board was to be established with 8 members – 4 each from Jigsaw and the Council. The Council's representatives were the Leader, Deputy Leader, Chief Executive and the Strategic Director with responsibility for CWR. Given the iterative nature of the process to reach a planning application, the Board was established to provide guidance on emerging issues, receive quarterly updates on the Development Delivery Plan and Financial Model and to make decisions jointly on moving the project forward.

3.6 In considering the proposed planning application and updated business case the Council must act reasonably and in accordance with the Development Agreement (DA). Following 18 months of design development and regular review through the CWR Joint Board, it would be difficult to justify refusing approval for submission of the planning application. Such a decision could lead Jigsaw to claim that the Council is in default of the DA, potentially exposing the Council to liability for costs incurred by Jigsaw since the DA was signed.

3.7 It is important to distinguish between the Council's role as a party to the Development Agreement and its separate role as Local Planning Authority. These functions are exercised for different purposes and under separate statutory responsibilities. Accordingly, approval of these recommendations by Cabinet would not prejudice or restrict the Local Planning Authority's ability to independently assess and determine any planning application submitted by Jigsaw.

4 WORKFORCE IMPLICATIONS

4.1 There will be an ongoing Council resource requirement through the life of the Development Agreement. The resource requirement will vary depending on the stage of development and will be reviewed at regular intervals but remains the same as reported in CAB3371.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 Under the DA, the Council is required to provide Jigsaw with vacant possession of the development site. Existing leases within Kings Walk and Middle Brook Street can be terminated, subject to the required notice periods. Before requesting a building licence, Jigsaw must satisfy the 17 conditions precedent set out in the DA.

5.2 Phase 1 of the scheme, comprising Kings Walk, properties on Middle Brook Street and the former Friarsgate car park, is expected to require vacant possession from late 2027.

5.3 Failure to provide vacant possession in accordance with the DA could place the Council in default of its contractual obligations. Discussions with the Council’s existing tenants in this location continue with Jigsaw in attendance.

6 CONSULTATION AND COMMUNICATION

6.1 Throughout the design development of the scheme, Jigsaw has undertaken an extensive programme of engagement with local residents, businesses, stakeholders and community groups. This has included public consultation events, stakeholder workshops, meetings with key organisations and targeted engagement activities both within the city and across the wider district. An Engagement Report was also prepared as part of the DDP process and was considered by Scrutiny and Cabinet when approving the DDP in March 2025 (CAB3484). Since approval of the DDP, a further 10 engagement events have been undertaken. These events took place on:

- 26 January 2026 – Public drop-in event, Winchester
- 27 January 2026 – Public drop-in event, Winchester
- 2 February 2026 – Public drop-in event, Winchester
- 8 June 2026 – Stakeholder invitation event, Winchester
- 9 June 2026 – Public drop-in event, Winchester
- 10 June 2026 – Public drop-in event, Winchester
- 11 June 2026 – Public drop-in event, Winchester

- 16 June 2026 – District engagement event, Colden Common
- 17 June 2026 – District engagement event, New Alresford
- 18 June 2026 – District engagement event, Kings Worthy

6.2 The engagement programme has sought to ensure that stakeholders are informed of the proposals and have opportunities to provide feedback throughout the development of the scheme. Engagement has included discussions with residents, local businesses, community organisations, statutory bodies and public sector partners.

6.3 Feedback received through the process has informed the development of the updated business case and the refinement of the scheme proposals. Key themes raised during engagement included public realm, transport impacts, sustainability, community benefits and these considerations have been reflected in the final proposals where appropriate.

6.4 Ongoing communication and stakeholder consultation will continue throughout the consideration of the planning application by the Local Planning Authority and during the delivery phase of the project to ensure that interested parties remain informed of progress and any potential impacts arising from implementation.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 A key factor in Jigsaw's appointment as development partner was Igloo Regeneration's strong track record and commitment to sustainability. Igloo is a certified B Corporation, recognised for meeting high standards of social and environmental performance, accountability and transparency. To measure and manage the impact of its developments, Igloo applies its Footprint® methodology, which focuses on delivering positive outcomes across three core objectives:

- People – Promoting community wellbeing and social value.
- Place – Creating exemplary neighbourhoods that are inclusive, attractive and well connected.
- Planet – Ensuring climate-positive development and environmental sustainability.

This approach aligns closely with the Council's ambitions for the Central Winchester Regeneration scheme and has informed the design and development of the proposals brought forward by Jigsaw.

7.2 Igloo Regeneration's Footprint® methodology is embedded throughout the delivery of its projects and is structured around six key themes that guide design, development and long-term stewardship:

- Wellbeing – Enhancing quality of life and supporting healthy lifestyles.

- Community – Building social capital, fostering inclusion and strengthening community connections.
- Place – Creating healthy, attractive and sustainable neighbourhoods where people want to live, work and visit.
- Nature – Supporting biodiversity and bringing nature back into urban environments.
- Climate – Delivering planet-positive places through reduced carbon emissions and climate resilience.
- Circular – Conserving finite resources by promoting reuse, minimising waste and supporting circular economy principles.

These themes provide a framework for assessing and maximising the social, environmental and economic benefits of the Central Winchester Regeneration scheme.

7.3 Through the Central Winchester Regeneration proposals, Jigsaw seeks to create a highly sustainable development that delivers a number of significant sustainability benefits, including:

- Delivery of new homes designed to achieve an EPC A rating, supporting reduced energy consumption and lower household energy costs.
- Targeting BREEAM Excellent rating for new commercial property.
- Opening up the existing culvert beneath the bus station, creating a new waterway that will contribute to flood mitigation, enhance biodiversity and deliver wider ecological benefits.
- A largely car-free development, prioritising walking, cycling and public transport while reducing vehicle movements and associated carbon emissions.
- Enhanced public realm and green infrastructure, helping to create a healthier and more attractive environment for residents and visitors.
- Measures to support climate resilience, biodiversity net gain and sustainable resource use throughout the development.

The proposals seek to deliver positive social, environmental and economic outcomes in line with both Igloo Regeneration's sustainability principles and the Council's wider objectives.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 The Council has a statutory duty under section 149 of the Equalities Act 2010 that requires all public bodies to consider the needs of all individuals in their day-to-day work in shaping policy; delivering services; and in relation to their own employees. The Public Sector Equality Duty (PSED) is a duty on public bodies and others carrying out public functions. An updated Equalities Impact

Assessment has been prepared alongside this paper and is attached at Appendix C.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 Due regard has been given to the Council's obligations under the Data Protection Act 2018 and General Data Protection Regulation (GDPR) 2018, it is considered that a Data Processing Impact Assessment (DPIA) is not required for this report.

9.2 Any data collected has been and will be held in accordance with the Data Protection Act 2018 and General Data Protection Regulations 2018.

9.3 This will be applied to any data collected as a result of any future events, consultations and engagements.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Property Failure to secure the M&S car park could restrict delivery of the preferred scheme and bus infrastructure improvements.	Negotiate surrender of the lease and prepare for compulsory purchase if required.	Acquisition would enable enhanced bus facilities and greater flexibility in the scheme design.
Legal Legal challenge could arise in relation to the planning application, amendments to the Development Agreement (if required), land acquisition, or the use of compulsory purchase powers.	Obtain advice from internal and external legal advisers and ensure compliance with statutory requirements and the Council's governance procedures.	A legally robust process will provide greater certainty for delivery of the scheme and confidence for stakeholders and investors.
Financial Exposure Construction inflation, market conditions, abnormal development costs, or changes in projected revenues could	Detailed financial modelling has informed the updated business case. Commercial terms within the Development	Successful delivery of the scheme could generate long-term economic, transport, and regeneration benefits for

Risk	Mitigation	Opportunities
affect the viability of the scheme.	Agreement will be reviewed to reflect the Council's additional acquisitions. Cost and viability assumptions will continue to be monitored through project governance arrangements.	Winchester and enhance the value of Council-owned assets.
Exposure to challenge Potential for someone to challenge the decision.	Take advice from the Council's external lawyers and follow a governance process that is transparent and comprehensive.	A transparent and robust decision-making process will increase confidence amongst stakeholders and reduce uncertainty during project delivery.
Reputation Failure to progress the regeneration scheme, significant delays, or additional costs could adversely affect the Council's reputation. The project may also attract criticism from some stakeholders.	Maintain clear communication regarding the rationale for decisions, project benefits, costs, and risks. Continue engagement with stakeholders and the local community.	Successful delivery of the scheme would demonstrate the Council's commitment to delivering regeneration, improving public transport infrastructure, and supporting the vitality of Winchester city centre.
Community Support Whilst there is broad support for regeneration of the area, some aspects of the proposals may attract objection through the planning process.	Any proposals for development would be expected to be in line with the SPD and would be subject to statutory consultation through the planning process.	Wide support exists for the regeneration of the central Winchester area. Delivery of the scheme would help realise the vision and objectives of the SPD.
Project capacity The Regeneration Team is involved in a significant number of major initiatives, creating potential resource and capacity pressures.	This risk can be mitigated by utilising temporary secondments or interim staff should this prove necessary. The Jigsaw consultant team can also	The project provides an opportunity to utilise specialist expertise and strengthen collaborative working between the

Risk	Mitigation	Opportunities
	provide expertise and additional resource.	Council and its development partners.
Local Government Reorganisation Local Government Reorganisation may affect future decision-making arrangements and the ability to approve amendments to project documentation following implementation of any Structural Change Order.	Progress key decisions as quickly as practicable and take ongoing legal advice regarding governance requirements arising from reorganisation proposals.	The delivery of a regeneration scheme on this site has been a longstanding priority for the Council. Progressing the project now provides greater certainty before any future governance changes are implemented.

11 SUPPORTING INFORMATION

11.1 The Council has been progressing the Central Winchester Regeneration programme for several years, including the adoption of the SPD in 2018 and approval of the OBC in 2021 and a Development Partner Business Case for the appointment of Jigsaw as the Council's development partner. Since their appointment in 2023, Jigsaw has undertaken extensive design development work to refine its proposals for the site. The scheme proposed for submission to the Local Planning Authority is set out in Appendix D and includes the overall masterplan, detailed floorplans, elevations and computer-generated images (CGIs) of the proposed development. The proposals also include a strategy for the delivery of new and improved bus infrastructure, enabling the existing bus station site to be redeveloped while maintaining bus service provision throughout the delivery of the scheme and these are set out in Appendix F.

The Planning Application

11.2 The planning application is set out in Appendix D and summarised in the Purpose section of the report. Briefly, the proposals are for 17,885 sqm of residential accommodation, delivering 232 homes of a range of sizes. Kings Walk is retained and refurbished to provide improved commercial spaces on the ground and mezzanine floors, with two floors of residential accommodation above, creating a distinctive offer that complements the new-build elements of the scheme. Coitbury House is also proposed to be retained for commercial purposes. Both these buildings were assumed to be demolished in the OBC.

11.3 Phase 1 comprises the land bordered by Middle Brook Street, Friarsgate, Tanner Street and Silver Hill. Phase 2 is the remainder of the site comprising the bus station, Coitbury House and the former Friarsgate Medical Centre site, which has been demolished. A later phase will include the recently acquired St Clemence Surgery.

11.4 The proposals deliver significant new public realm, including a new public space off Middle Brook Street in Phase 1 and Woolstaplers Square in Phase 2. The application also demonstrates how new bus infrastructure, including bus stops and stands, can be accommodated within the city centre highway network, enabling bus services to continue operating throughout the district.

Updated Business Case

11.5 The Council reserved the right as landowner to approve the contents and submission of the planning application to the Local Planning Authority. To assist in consideration of this important stage, the Council is using the same Treasury five Case model that was used in the procurement of Jigsaw to assess the proposed planning application against its objectives set in December 2021(CAB3322). There was little financial information or economic benefit identified at the point when Jigsaw was appointed due to the nature of that procurement exercise and therefore this updated business case provides that detail.

11.6 The updated business case is contained in the Appendix A and Exempt Appendix B. The following sections take each of the five cases and summarises each one and any changes that have occurred since 2021.

a) The purpose of the updated business case is to review progress of the scheme since the OBC.

b) Assess whether or not the updated business case still meets the objectives set at OBC stage and if not explain why.

c) Provide the Council with an assurance process that allows it to determine, whether, as landowner, it is appropriate for the planning application to be submitted to the Local Planning Authority.

Strategic Case

11.7 The Strategic Case of the updated business case considers that the proposals developed by Jigsaw will deliver a comprehensive regeneration of this key city centre site, creating a mixed-use, pedestrian-friendly quarter that is distinctly Winchester in character. The scheme will provide new homes, commercial space, cultural and heritage opportunities, and high-quality public realm, alongside the imaginative reuse and refurbishment of existing buildings. While the proposals align with the majority of the Council's strategic objectives, there are some areas where the original aspirations set out in the OBC will not be fully achieved.

11.8 The Council set out six investment objectives:

a) Work

b) Live

c) Play

d) Student experience

e) Overnight tourism

f) Sustainable development

11.9 The proposals are considered to meet the majority of these objectives. However, two elements have changed since the OBC was approved. Firstly, the scheme does not currently provide any affordable housing, reflecting viability constraints identified through the development process. This position will be independently tested as part of the planning application through a viability assessment submitted to and reviewed by the Local Planning Authority. The Council and Jigsaw have explored various options to make some affordable provision within the scheme, including the Council directly developing affordable housing but there is no subsidy available that could make that work financially for the Housing Revenue Account. It remains an aspiration for both the Council and Jigsaw, who will continue to explore how some affordable housing can be provided, particularly if grant funding can be brought into the scheme either to directly fund affordable housing or some other form of external funding.

11.10 Secondly, the objective relating to overnight tourism is only partially met. While the development scenario considered at OBC stage included a hotel, and Jigsaw explored the potential for a boutique hotel within the scheme, this was not found to be commercially viable. Nevertheless, the proposals will support the wider visitor economy through the provision of new commercial, cultural and public realm spaces, helping to increase the attractiveness of Winchester as a destination for both day and overnight visitors.

Economic Case

11.11 The OBC included a Benefits Cost Ratio (BCR) of the socio-economic benefits of the proposed CWR programme. This is used to summarise the overall relationship between the relative costs and benefits of the CWR programme. The OBC identified a BCR for All Economy of £2.68 as the Base Case – indicating that for every £1 invested, £2.68 of economic and social value would be created. The OBC concluded that the regeneration of CWR will deliver significant economic benefits to the Winchester economy as well as achieving the investment objectives set by the Council.

11.12 The updated business case has followed the same methodology as the OBC, and the full analysis is set out in Section 4 of the updated business case in

Appendix A. While changes to the scheme since 2021, particularly the absence of affordable housing, have reduced the overall level of quantified benefits, the updated appraisal continues to demonstrate a positive Benefit-Cost Ratio of £2.12 for every £1 invested. The updated business case therefore concludes that the scheme continues to provide positive economic and social value and remains capable of delivering significant regeneration benefits for Winchester and the wider district.

Commercial Case

11.13 The Commercial Case was a key component of the Outline Business Case (OBC), which considered the procurement and delivery arrangements required to support the preferred development option. These arrangements were subsequently tested through a competitive procurement process, culminating in the appointment of Jigsaw as the Council's development partner in March 2023 (CAB3371).

11.14 It is worth noting that the following obligations were placed on the developer by the Development Agreement:

- Satisfaction of the pre-conditions for draw down of land from the Council
- Managing the design and planning process
- Viability
- Ensuring proper financial planning, management and accounting
- Identifying and pursuing funding
- Tendering and appointing contractors
- Pre-Let's
- Regular monitoring and reporting through quarterly updates of the Development Delivery Plan

11.15 Where a phase is not viable the DA provides a mechanism for the parties to assess how best to achieve viability or to proceed with the development on a different financial basis by agreement.

11.16 The Commercial Case, although having been thoroughly tested at the point at which Jigsaw were appointed, is still relevant to see how the parameters put in place have worked to keep a proposal on the table despite some very challenging economic conditions. As the Financial Case below will demonstrate, these commercial considerations and the flexibility to allow different scenarios to happen have been instrumental in reaching this point. If the DA had not been constructed in the way it was then a very different outcome may have been in play given the wider economic impacts.

Financial Case

11.17 The financial case explores the overall affordability of the proposals by Jigsaw. There are two important matters to be clear on from the beginning. The first is that the Jigsaw proposals are not comparative with the assumptions that were made by the consultant team for the OBC. These vary from the actual metrics used for build costs and values (which are never static), buildings to be demolished, inclusion of a hotel, to phasing, to archaeological costs and additional costs for sustainability issues. The second point to note is that for the first time the Council is presented with a scheme, which is viable for a developer to obtain funding in the market to build out.

11.18 The OBC forecast a £3.4m capital receipt to the Council from the redevelopment of the CWR area. That was based on standard metrics on costs and values together with some assumptions about development mix, phasing and other issues highlighted in Para 11.16, all of which have changed.

11.19 The updated business case in Appendix A explains the reason why there has been such dramatic changes in the wider economy and how they have impacted on the overall scheme finances, particularly construction costs. The wider impact across the residential sector in Hampshire and the Southeast is also apparent and the CWR project is not alone in having to face an economic environment that has resulted in many developments becoming unviable. For CWR, it is important to note that Jigsaw are still intent on taking forward the scheme to planning, incurring significant costs.

11.20 It should also be remembered that this is the first time that a developer has costed the impact of following the SPD across a number of the objectives. The cost of achieving some of the issues required in the SPD and investment objectives has been disproportionately impacted by the increases in build costs, particularly “Winchesterness”, opening up culverts, public realm, which do not directly contribute to income.

11.21 The second part of the affordability issue refers to the income that the Council receives from the properties in Kings Walk, Middle Brook Street and the Bus Station. The phasing adopted by Jigsaw would mean that the bulk of the income would be lost in 2027, whereas the phasing approach in the OBC saw that part of the site remaining for the longer term. This means that under the current scenario Jigsaw will draw down land from the Council in late 2027 and at that point the income currently received from the Middle Brook Street properties and Kings Walk will cease. The impact of that is set out in the updated business case Finance Section in Exempt Appendix B.

11.22 During the procurement process, bidders were asked to consider how the Council's existing income streams could be replaced. The principal mechanism identified was the reinvestment of any land value received by the Council into alternative income-producing assets. Under the current financial model, however, no capital land receipt is projected and, having invested significant resources into the design and promotion of the scheme, Jigsaw is not proposing to transfer income-generating assets to the Council. The bus station income will therefore remain the principal continuing income stream for a longer period than originally anticipated.

11.23 The updated business case sets out the loss of income over time and the impact on the Council's finances.

11.24 The DA set profit levels for Jigsaw at for private housing and on commercial assets. The DA also has two overage provisions built into the agreement:

- Planning – where an enhanced scheme is pursued and calculated according to the DA.
- Revenue – based upon actual sales income received and calculated according to the DA.

11.25 Commercial discussions are ongoing with Jigsaw about profit levels to reflect the investment the Council is making to the overall project finances via CIL, land acquisitions and also the move away from a significant objective of providing for affordable housing due to viability reasons. These discussions do not impact this paper at this time and if successful would be an improvement on the current reported situation. If the conclusion of those discussions requires an amendment to the DA, then Officers will consider the means of achieving variations to the DA, including keeping Members informed.

Management Case

11.26 This section of the updated business case considers the deliverability of the project and how the Council will continue to fulfil its obligations under the DA.

11.27 The OBC considered the following elements under this section.

- Deliverability
- Programme and Project Management/Governance
- Risk Management Arrangements
- Project Funding

Each of these areas has been reviewed and updated to reflect the current position of the project.

Deliverability

11.28 The first consideration under this section relates to the Council's ability to provide Jigsaw with vacant possession of the relevant Council-owned assets. Failure to do so would place the Council in default of the DA. Through close working with the Council's Property Team, which manages the landlord and tenant relationships across the site, officers are confident that vacant possession can be provided when required by Jigsaw. This has involved extending some existing leases and varying notice periods where appropriate. Jigsaw and the Council team have worked closely together throughout this process to ensure tenants remain informed of the anticipated timescales.

11.29 The second consideration is planning. Jigsaw has engaged extensively with the LPA through a Planning Performance Agreement. A number of meetings have been held with the LPA and key statutory consultees, including the Environment Agency, Historic England and Hampshire County Council, as well as local stakeholder groups such as WINACC and the City of Winchester Trust. The proposals have also been considered through two Design Review Panels facilitated by Design Southeast, both of which provided positive feedback. Notwithstanding this engagement, securing planning permission remains a key risk, particularly in relation to the absence of affordable housing within the current proposals.

11.30 The third consideration is viability, which is addressed in Table 5.1 of the Financial exempt section of the updated business case. Despite the challenging economic environment, the Council continues to have a committed development partner that has invested significant resources in progressing the scheme to this stage. Although profit margins have reduced since the Outline Business Case was prepared, Jigsaw have indicated that the scheme remains capable of attracting both equity and debt funding to support its delivery.

Programme and Project Management Governance

11.31 The Council has continued to use the PRINCE2 methodology, with quarterly reporting to the PAC Board and, where necessary, reports to Cabinet for decision. The latter have included approval of Jigsaw's Development Delivery Plan and the exit of GKRL, both of which were significant milestones warranting Cabinet consideration.

11.32 The Council's core project team has comprised the Cabinet Member for Regeneration, Strategic Director, Director of Regeneration, Head of Programme and Project Managers. In addition, the team has been supported by specialist officers, including the Corporate Head of Asset Management, Section 151 Officer, Monitoring Officer, Corporate Head of Finance, and Service Lead: Corporate Support (Procurement).

11.33 In addition, the Director of Regeneration established a monthly CWR Corporate Heads of Service meeting. This forum provided greater visibility of programme and project matters, enabling Corporate Heads of Service to better understand progress, identify issues, and provide leadership and support within their respective service areas where required.

Risk Management Arrangements

11.34 The Council maintains an active risk management plan for the Central Winchester Regeneration project, which is regularly reviewed and updated as the project progresses. The updated business case considers the changes in risks and mitigations since the OBC was approved.

11.35 The Council's principal risks arise from its obligations under the DA, particularly the requirement to provide Jigsaw with vacant possession of the relevant sites when required. As outlined in the Property Implications section, this risk has been mitigated through proactive engagement with tenants and amendments to lease arrangements, helping to ensure that land can be transferred at the appropriate time and without encumbrance.

11.36 The key remaining risks relate to securing planning permission, maintaining the overall viability of the scheme and managing the ongoing partnership with Jigsaw through the governance arrangements established under the Development Agreement. These risks continue to be actively monitored by both parties through the project's governance and reporting processes.

Project Funding

11.37 The OBC identified a funding strategy based on a combination of private and public sector investment. Under the DA, responsibility for securing private funding rests with Jigsaw. A key consideration throughout the development process has been whether the scheme is sufficiently viable to attract investment. Jigsaw will be required to demonstrate that appropriate funding arrangements are in place before drawing down land from the Council. Jigsaw has been engaging with potential funders throughout the design and development process and remains confident that a suitable funding package can be secured when required.

11.38 Securing public sector funding has proven more challenging, as Winchester is not eligible for several of the funding programmes that have supported similar regeneration schemes elsewhere. Nevertheless, officers continue to engage with Homes England and other public sector bodies to identify potential funding opportunities that could support the delivery of the scheme and improve its overall viability.

Updated Business Case Conclusion

11.39 The updated business case concludes that the case for regeneration remains strong and that the proposals developed by Jigsaw largely meet the objectives established by Cabinet in December 2021 and endorsed by Full Council in January 2022. The absence of affordable housing reflects wider economic conditions and the costs associated with delivering the Council's aspirations through the SPD and procurement process. During the planning application process, Jigsaw and the Council as landowner, will continue to explore the means of providing some level of affordable housing. The updated business case also concludes that the scheme generates a Benefit-Cost Ratio

(BCR) of more than 2, meaning that for every £1 invested, more than £2 of value is generated for the wider economy.

Bus Infrastructure

11.40 A critical component of the CWR project is the provision of replacement bus infrastructure to enable the existing bus station to be vacated and redeveloped. The Council commissioned a number of studies to assess how this could best be achieved and the proposed on-street solution has been reported in CAB3821, 3303 and 3322. The joint work with Hampshire County Council also resulted in publication of a joint statement “Bus Travel in Central Winchester” endorsing the on-street solution as an interim measure pending implementation of the Winchester Movement Strategy.

11.41 This approach was incorporated into the DA and forms part of the Council's obligation to provide vacant possession of the bus station site to Jigsaw. The DA also places an obligation on Jigsaw to develop detailed bus infrastructure proposals in consultation with bus operators, Hampshire County Council and other stakeholders, including bus users. This work has now been completed in terms of engineering solutions and is included within Appendix F and will be submitted as part of the planning application. Further work remains to be done on demonstrating the quality of the stops/stands as well as the experience for the user and ongoing engagement with bus operators and Hampshire County Council.

11.42 The updated business case recognises the challenging economic conditions and their impact on scheme viability. Although Jigsaw is proposing to invest more than £1.5m in bus infrastructure, it is clear that the quality of public realm, the space requirements and the standard of bus stops and stands originally envisaged by the Council cannot be delivered through Jigsaw's investment alone. Whilst discussions continue with Hampshire County Council regarding the potential use of Bus Service Improvement Plan (BSIP) funding, no commitment has yet been secured.

11.43 In order to achieve the bus proposals, it is necessary to include land currently leased to M&S as a car park. The land in question is shown in Appendix E and the report seeks approval to negotiate with M&S to surrender their lease to the Council as freeholder. Initial discussions have been had with M&S, who have agreed to a joint instruction to value their lease. That indicates the positive approach M&S have taken to these discussions. The land will not be required by Jigsaw until approximately 2029 and the car park use will remain until then. The Recommendation in relation to the use of CPO powers is simply a procedural one to ensure that the Council cannot be held to ransom.

Commercial Considerations

11.44 The updated business case provides a clear justification for progressing the project as described in this report. However, discussions with Jigsaw on a number of commercial matters remain ongoing, particularly in relation to the Review Mechanism contained within the DA and the inclusion of additional land; St Clements and the M&S car park if agreed. It would not be appropriate to set out the details of these discussions in a public report, as the outcome will depend on the conclusion of negotiations between the parties.

11.45 The matters currently under discussion have the potential to improve the Council's financial position and therefore result in a more positive outcome for the Council. In addition, the DA contains provisions relating to the introduction of grant funding or other external funding sources into the project, allowing the benefits of such funding to be shared appropriately between the parties.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 The only alternative option available to the Council is not to approve the current proposals. Arguably, there is a case for this, as the viability of the scheme does not currently allow for the provision of affordable housing, which was one of the key objectives identified during the procurement process and remains an important planning policy requirement. However, it is unlikely that further analysis or amendments would result in a materially different scheme. Instead, this would further delay the delivery of the regeneration proposals at a time when many development schemes are being stalled by challenging market conditions.

12.2 In considering the option of not approving the current proposals, Cabinet should be mindful of the provisions of the DA and the obligations owed by both the Council and Jigsaw to one another. As noted previously, both parties are subject to a reasonable endeavour’s obligation, which underpins the management of the relationship and the operation of the CWR Joint Board.

12.3 In addition, the DA contains provisions relating to default by either party. The prospect of a no-fault scenario, whereby both parties simply withdraw from the Development Agreement without significant financial consequences, is no longer realistic. This is because both parties have worked collaboratively to identify ways of improving the viability of the scheme. It could reasonably be argued that having worked closely with Jigsaw to reach this stage and given that Jigsaw has invested several million pounds in developing the proposals, it would be unreasonable for the Council to withdraw its support.

12.4 If the Council were to pursue this course of action, it is likely that Jigsaw would seek to recover its costs in accordance with the provisions of the DA. This could result in a significant financial liability for the Council. As such, this option is not recommended.

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

A. CAB3034 Central Winchester – Adoption of SPD - June 2018
B. CAB3121 – Land Acquisition
C. DD17 Cabinet Member for Housing and Asset Management Decision Day CWR Project Update – 12 October 2020
D. CAB3271 CWR Development Proposals - November 2020
E. CAB3281 CWR Development Proposals and Delivery Strategy – March 2021
F. CAB3303 CWR Strategic Outline Business Case – July 2021
G. CAB3322 CWR Outline Business Case – December 2021
H. CAB3395R Governance of the CWR project – February 2023
I. CAB3371 Appointment of Development Partner and next steps – March 2023
J. CAB3484 Development Delivery Plan – March 2025
K. CAB3536 CWR Scheme Update – January 2026
L. CAB3556 – Land Acquisition - May 2026

APPENDICES:

Appendix A: Updated Business Case - Strategic, Economic, Commercial & Management

Appendix B: Exempt- Updated Financial Business Case

Appendix C: Equality Impact Assessment

Appendix D: Planning Application Supporting Information

Appendix E: M&S Car Park Overview Map

Appendix F: Bus Relocation Map

Appendix G: Phased Site Overview