

## Appendix 2

### Covered Market Masterplan – Outline Business Case

Covered Market Masterplan			
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Project Description:	<b>Oxford Covered Market Outline Business Case</b>		
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## 1 Introduction

- 1.1 The Outline Business Case (OBC) for delivery of the Covered Market Masterplan was approved by Cabinet in February 2023. The original business case considered four options including; Do nothing, Do minimum (business as usual), Major works (masterplan-led works focused on key moves) and Do maximum (maximal masterplan-led works). The case was made for the 'Major works option based upon a number of masterplan key moves which were set out in the Cabinet Report paragraph 7.
- 1.2 The purpose of this report is to assess the revised and enhanced masterplan proposals for which the additional funding is sought and which are referred to as 'masterplan plus'.
- 1.3 This report does not revisit the full scope of options set out in the original business case but builds upon the original OBC and scope of the works proposed by the 'major works' option and tests the business case for the proposed enhanced masterplan works against a new base case for delivery of the essential utilities' replacement and planned maintenance works only.
- 1.4 The purpose of the OBC is to support the additional investment proposed to achieve a 'masterplan plus' and follows the Green Book, five case Model:
  - Strategic Case; the case for change
  - Economic Case; is it value for money
  - Commercial Case; is it viable
  - Financial Case: is it affordable
  - Management Case: is it deliverable

## 2 Strategic Case

- 2.1 The Cabinet report approved February 2023 made the case for change. The report noted that "The Market is at risk of entering a period of managed decline if the historical building falls into disrepair and fails to cater to the shifting demographics and priorities of its visitors. It also risks increasing voids and declining rental income if it does not keep pace with the needs of current and potential market traders." The original OBC explored in detail the challenges facing the Market including feedback from the extensive stakeholder engagement. Based on the commercial advice at that time the advice was that while implementing the leasing strategy adopted in 2021 (most notably evolving the mix of uses, using a wider variety of lease types and extending the opening hours) will improve the vitality of the Covered Market they would not be sufficient without the key moves to change the Market included in the masterplan proposals. These were:
  - Market Street pedestrianisation,
  - a large communal area,
  - improved entrances to the Covered Market
- 2.2 The common goal of these moves was to generate increased footfall and dwell time, which in turn would support the best improvements in rental income. All other project objectives (heritage, accessibility, environmental sustainability, innovation, distinctiveness) would be dependent on improvements to footfall and dwell time.
- 2.3 The revised OBC is based on the same analysis and notwithstanding recent improvements in rental income as a result of the leasing strategy the case for change remains the same. The Property Team at OCC has also noted that the leasing strategy is already benefiting from trader optimism generated by Council approval to the masterplan and which is in turn benefitting rental income.
- 2.4 The enhanced masterplan proposals address issues raised by the RIBA Stage 2 review identifying risks for the success of the masterplan:

- Sub-station extension/ improvements to support the increasing retail demand for food & beverage (F&B) and associated increased electrical demand as well as to support electric vehicle (EV) charging of ODS and trader vehicles which in turn offers potential for reduced delivery costs for traders
- Revised electrical distribution system at high-level to reduce impact on traders during construction and future proof the Market for potential introduction of low carbon options including PV panels to the roof areas. Proposals will also offer flexibility to accommodate change to future retail unit electrical provision and minimise future disruption within the market.
- Decluttering – removal of redundant and obtrusive services including cabling, pipework, air handling etc.
- Lighting replacement and improved wayfinding throughout including enhanced light levels to ensure that the avenues are less dependent on trader units providing secondary lighting for events and outside of main trading hours and will improve attractiveness to avenues and increase opportunities for additional events.
- Additional high level fabric repairs and decorative improvements throughout to advance planned maintenance works.

2.6 The decluttering, lighting replacement (including emergency lighting upgrades) and high level fabric repairs will be required in the medium to long-term as part of the asset management plan. Incorporating the works into the main contract will be cost effective compared to works being taken out of sequence in the future and will further minimise disruption to traders in the future.

2.7 The revised masterplan ensures that the key moves identified in the original masterplan and OBC are retained. The enhancements support the original case for change. They will help to ensure that the proposals achieve the level of transformative change necessary to deliver recognisable improvements and reinforce the original proposals including minimising disruption and being more cost efficient delivering efficiencies.

**3 Economic Case**

3.1 The economic case sets out the options to be considered. Full details of the long list of options were included as part of the original approved masterplan and OBC and are summarised below:

<b>Option 1: Do Nothing</b>	
Description	The Council would not invest in proactive maintenance or placemaking renovations at the market and would not carry out the 2021 Leasing Strategy. This scenario would introduce the likelihood of managed decline and falling rental income. Operation of the market would continue with a limited regular commitment to revenue budget for reactive repairs.
Strengths & Opportunities	Avoids short-term financial pressure in the early years of the MTFP, avoids new building disruption and relocation of traders.
Weaknesses & Threats	Without significantly improving approach to maintenance and repair rental income will continue to trend negatively and will continue to prevent the market from reaching target footfall rates.  The Project Board determined that doing nothing is not a viable option. The

	building fabric would be at risk, and the potential impact on rental income is extreme. Some form of intervention will be required to keep the market operational and reverse a decline in rental income.
<b>Option 2: Do Minimum – Business as Usual</b>	
Description	Option 2 is a business as usual scenario where OCC would move forward with existing plans for the Market without implementing a new masterplan but would include the 2021 Leasing Strategy and necessary maintenance works that go beyond a 'Do Nothing' scenario. The ongoing asset management and maintenance plan (AMMP) would be more expensive than in Option 3 due to the reduced amount of up-front investment in the building.
Strengths & Opportunities	Contributes to the vitality of the Market by reducing vacancies and improving aesthetics of empty stalls and allows the Market to adapt to changing consumer preferences with shorter term leases
Weaknesses & Threats	Would not contribute sufficiently to increase in footfall and dwell time without additional masterplan works
<b>Option 3: Major Works – Masterplan-led works focused on 'Key Moves'</b>	
Description	Option 3 is a 'Major Works' scenario, which would be carried out in conjunction with the Leasing Strategy and medium AMMP. Includes the following actions:  Creates a large communal open court area on the northern edge of the market, improve entrances and wayfinding signage including enhancements to High Street entrances, pedestrianisation to Market St, essential baseline works and rationalise service yard and includes essential planned and preventative maintenance works.
Strengths & Opportunities	Spatially transformative while minimising disruption to Traders. Includes large communal area opening onto Market Street identified as crucial for the future success of the market while minimising the loss of retail units to two and contributes to rental tone uplift throughout market and supports food and beverage by providing a seating area.  Works to improve entrances, including the pedestrianisation of Market Street improving market visibility.  Realises some sustainability goals with EV charging infrastructure and bicycle parking and transport restrictions on Market Street
Weaknesses & Threats	Limited enhancements to heritage significance and limited environmental strategy. More extensive works may contribute to larger rental uplift. Increases planning risk by not being heritage led
<b>Option 4: Do Maximum – Maximal masterplan-led works</b>	
Description	Option 4 is a 'Do Maximum' scenario. This option includes the following actions as well as the major AMMP:  Large communal area on Northern edge, more substantial works to Golden Cross as well as High Street entrances, additional northwest corner works to remove units and rationalise layout, added environmental strategy together with new build proposals on service yard  The major AMMP entails a series of more extensive maintenance and

	refurbishment works in addition to the basic maintenance plan that would be carried out in options 2 or 3. Costing an additional £1m p.a. ongoing, the project board concluded the additional rental income and heritage benefits are not proportionate or great enough to justify pursuing this option.
Strengths & Opportunities	<p>Closest option to a heritage-led approach. Same advantages as Option 3 regarding large communal area and upgrades to entrances.</p> <p>More comprehensive works to Market Street together with additional Northwest corner baseline works and layout rationalisation meaning total forecast revenue is higher than under minimal works option</p> <p>Enhanced environmental strategy and contributes to making the Market a model for sustainability and contributing to Oxford’s Zero Emission Zone.</p> <p>New build development on service yard with risk averse massing and provides new workspaces to attract local talent</p>
Weaknesses & Threats	<p>Significantly more costly than Option 3 without providing significant additional benefits.</p> <p>Northwest corner rationalisation would permanently relocate up to 8 traders, causing a significant stakeholder relations issue and the environmental works will likely impact all traders without providing any specific benefit.</p> <p>New build on service yard requires significant investment but does not significantly contribute to footfall/dwell time and associated planning risk.</p>

3.2 The original masterplan concluded that while the Covered Market works will create financial pressure on the MTFP in all scenarios, the proposal for Option 3 created the most optimistic trend for rental income, with the potential to generate annual net surplus for the council at the end of the MTFP. In addition Option 3 provided the placemaking and community benefits necessary for increasing footfall and dwell time and supporting the continued operation of the Market while being easier to deliver and presenting less risk to both OCC and Market traders.

3.3 The options explored in this revised business case include an essential works option – an update of the original option 2 following the Stage 2 consultant review of the costs and essential works programme. In addition an enhanced option 3 proposal includes main works identified in option 3 and some works identified in option 4 where they are either necessary to support option 3 and/or add value that is identified as affordable. These options are detailed below:

<b>Essential Works – revised option 1</b>	
Description	<p>The essential works option has reviewed the programme to replace the existing utilities with costs and scope also updated to reflect the consultant RIBA Stage 2 review. The ongoing AMMP are also included. The 2021 Leasing Strategy is reflected in the rental values. The works include:</p> <p>Full replacement of electrical, water and drainage utilities</p> <p>Relaying of the existing flooring consequential on the services replacement and re-using existing materials</p> <p>On-going asset management works on a reactive basis</p>
Strengths & Opportunities	Addresses the critical services infrastructure requirements for those services reaching end of life. Minimises short-term capital expenditure.

<p><b>Weaknesses &amp; Threats</b></p>	<p>Does not increase services capacity necessary to deliver on the leasing strategy increasing demand for F&amp;B.</p> <p>Would not contribute sufficiently to increase in footfall and dwell time without additional masterplan works.</p> <p>Generates additional long-term costs where essential maintenance works are carried out on an ad-hoc basis</p> <p>Market appears increasingly ‘tired’ with decreasing interest from traders and potential for increase in voids and declining rental</p>
<p><b>Enhanced Masterplan (Masterplan Plus) – revised option 2</b></p>	
<p><b>Description</b></p>	<p>Revised Option 2 is based on the original ‘Major Works’ scenario with additional works to address specific issues raised during the RIBA Stage 2 consultant review. The additional works reflect some works suggested by the rejected option 4 do maximum option however, the proposed extent is limited with the total cost throughout the MTFP being an additional £700K of construction cost measured against the equivalent cost of the do-medium option at current cost levels. The core works from the original masterplan are retained alongside the implementation of the Leasing Strategy:</p> <p>Includes essential works to replace services Creation of a large open court on the northern edge of the market, Improved entrances and wayfinding signage including enhancements to High Street entrances pedestrianisation to Market St (phase 1 completed)</p> <p>Additional works include:</p> <p>Sub-station improvements to increase electrical capacity Revised electrical distribution system with rooftop access New lighting and wayfinding throughout market Decluttering and redundant services removals.</p>
<p><b>Strengths &amp; Opportunities</b></p>	<p>Retains key masterplan strategic moves</p> <p>Ensures future electrical capacity to support flexibility in trader needs including e.g. need for 3-phase in new F&amp;B units and enhances retail offer</p> <p>Ensures EV charging infrastructure is catered for and future-proofs proposals for delivery of e.g. PV to market roofs</p> <p>Improves appearance of avenues and improves opportunities for late night and special events currently reliant on shop units to offer adequate lighting</p>
<p><b>Weaknesses &amp; Threats</b></p>	<p>Additional costs impact on viability and add financial risk.</p> <p>Additional works prolong delivery impacting traders.</p>

3.4 The proposal to enhance the core masterplan do medium option are consistent with the intentions set out in the approved masterplan as detailed below:

<p><b>Priorities</b></p>	<p><b>Essential works – revised option 1</b></p>	<p><b>Enhanced masterplan (masterplan plus) – revised option 2</b></p>
<p><b>Inclusivity</b></p>	<p>The essential works offer contributes to the inclusivity objective by</p>	<p>The open court and pedestrianisation of Market Street create a new</p>

	expanding the service options at the Market through the Leasing Strategy.	<p>community gathering space. The space would be accessible to everyone.</p> <p>Remodelling the Market's public bathrooms will make them more physically accessible and accessible to people of all genders.</p> <p>Improvements to lighting and wayfinding will improve accessibility and legibility to the main avenues</p>
<b>Sustainability</b>	The essential works option provides minimal sustainability benefits.	<p>The enhanced masterplan supports original sustainability objectives including Market Street pedestrianised to encourages people to walk instead of drive and support Oxford's Zero Emission Zone and e-cargo bike charging stations and electric vehicle charging stations in the service yard.</p> <p>The enhancements will reinforce EV support with additional electrical provision from the sub-station improvements. The new sub-station will also support the move away from gas for existing retail F&amp;B units.</p> <p>The revised electrical distribution system will future-proof the provision of zero-carbon options such as PV to roofs</p> <p>Lighting renewal will deliver improved energy efficiency</p>
<b>Evolution</b>	The essential works programme would support the Market by ensuring the building fabric continues to be fit for purpose but has limited potential to adapt the offer to new tenants.	<p>The approved masterplan addressed the long-term success of the Market by creating new community gathering spaces and refurbishing the Market to live up to its status as a historical landmark and Market Street pedestrianisation allows for innovative placemaking efforts that can be adapted as needs change.</p> <p>The approved masterplan offers additional scope for evolution through an improved energy offer allowing increased flexibility for traders.</p>
<b>Increasing Footfall</b>	The essential works programme would maintain utilities and improve attractiveness to traders but the ability to improve footfall is limited.	The approved masterplan would significantly increase footfall and encourage more people to visit the Market and stay longer with improved entrances and signage, a large communal area and

		<p>pedestrianisation of Market Street to improve access.</p> <p>The enhancements go further by a redesigned lighting provision to improve attractiveness and appearance of the main avenues encouraging further event opportunities.</p>
<b>Heritage</b>	<p>The essential works programme provides some heritage benefits, with ongoing budget for planned repair and maintenance of the Covered Market however, no improvement to the wider heritage asset is possible.</p>	<p>The approved masterplan would provide heritage benefits through the planned and preventative maintenance.</p> <p>Additional enhancements enable decluttering and removal of redundant services.</p> <p>Also included are lighting improvements to transform how the avenues and market will appear and will better reveal the heritage of the market.</p>
<b>Distinctiveness</b>	<p>The essential works programme provides an ongoing budget for planned repair and maintenance of the Covered Market but does not offer any improvements to distinctiveness.</p>	<p>The approved masterplan would increase the distinctiveness of the Market raising its profile and creating a more attractive and unique offer for visitors.</p> <p>The enhancements offer the opportunity to greatly improve the design quality and distinctiveness of the main market areas in addition to the open court and other key improvements.</p>

3.5 Project Board supported by Development Board recognises that there is case to be explored for additional investment to enhance the approved masterplan option but without extending improvements as far as the maximise option previously rejected as too expensive. The economic case demonstrates that the enhancements such as the sub-station improvements are essential to support key moves in the approved masterplan. Other enhancements will support the need for transformative change such as the lighting and decluttering to improve appearance generally, reduce future costs and to address deficiencies such as inadequate lighting to the avenues impacting on the quality of events in the market.

**4 Commercial Case**

- 4.1 The purpose of the commercial case is to demonstrate that a viable procurement strategy between the public sector and service providers is in place for the preferred option for the improvement works.
- 4.2 Following approval of the masterplan and budget in February 2023 a full consultant team was appointed to deliver the masterplan through an open competitive tendering process. The consultant team includes project management and separately a design team. The winning design team was by the original masterplan architects giving benefits in continuity.



4.3 ODSL was then contracted to deliver the Phase 1 Market Street works compliant with the constitution Teckal rules.

4.4 Procurement of the main contractor will be tendered in accordance with section 19 of the constitution.

**5 Financial Case**

5.1 The purpose of the financial case is to ascertain the viability and funding requirements of the recommended option. The Financial Case is included in **Exempt Appendix 3 – Not for Publication**, as it contains confidential and commercially sensitive information.

5.2 Summary table:

Options	1. Essential Works only	2. Masterplan Plus	Notes
	Services replacement works including leasing strategy	Enhanced masterplan proposals including leasing strategy	
<b>Capital Investment</b>	£4,488,813	£8,036,044	
SPF funding	na	£300,000	
Additional funding required	na	<b>£3,247,231</b>	
<b>Conclusion</b>			
IRR (50 year period)	na	4.85%	Assumes PWLB 50yr annuity rates at 6.02%
IRR (50 year period) + Discounted rate	na	1.31%	Discount rate at 3.5%. Above 0% is a positive return
Payback - year	na	year 23	

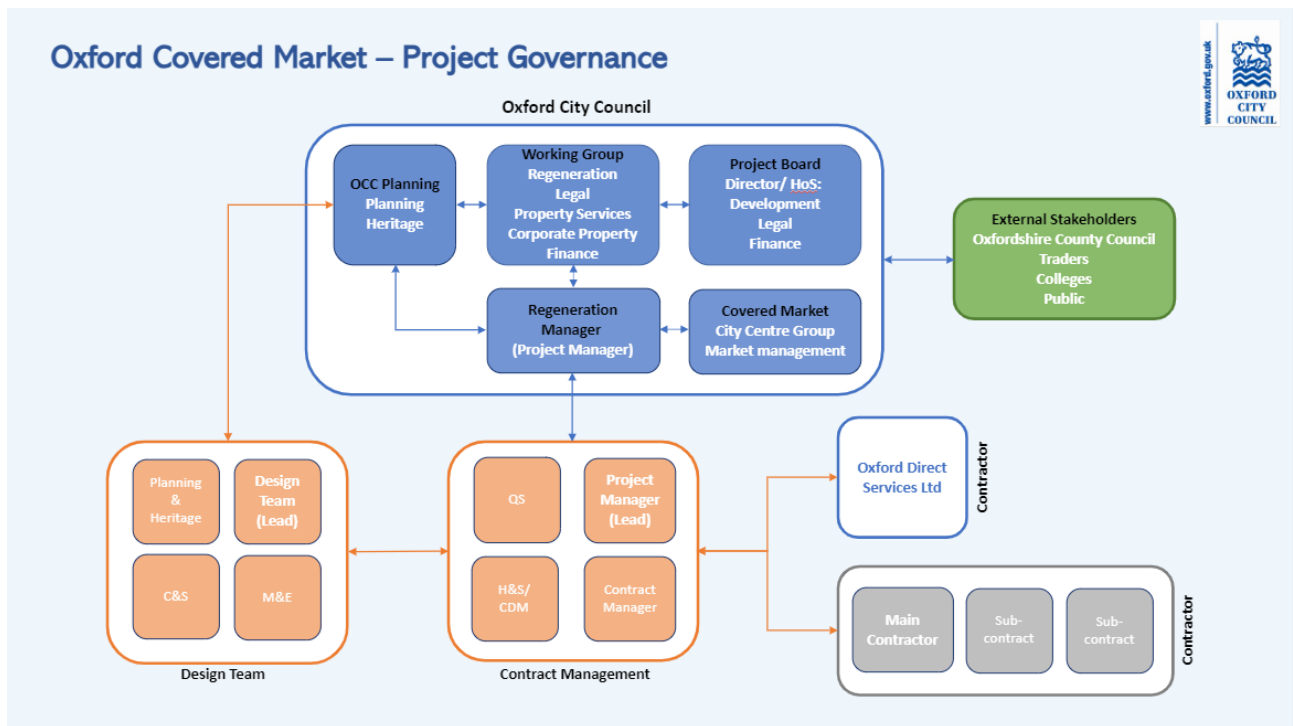
**6 Management Case**

6.1 The purpose of the Management Case is to set out how the preferred option will be managed, associated timescales, how benefits will be monitored and achieved, and the risk management approach.

6.2 The procurement of the consultant team to deliver the masterplan includes Gleeds as Project Managers to support the work of the PMO team and to include advice on project and contract management, delivery options and cost consultancy.

6.3 Additional Council management and property resources are included within the revised budget to manage the works and to ensure support for traders during disruption.

6.4 The governance of the new team is set out below:



6.5 The outline programme for delivery is

- 2024-25 - approval to the revised business case
- 2025-26 – detail design and planning application and technical design and main tender preparation. Early appointment of a contractor (or management contractor) is under consideration to obtain expert advice on delivery of works on site.
- 2026-27 – tender and appointment of main contractor and pre-start engagement. Start of works on site January 2027.
- 2027-28 – works on site with phase one open court and wc relocation complete
- 2028-29 – works on site phased completion with all works complete October 2028

6.6 Risks – refer to risk register Appendix 5

**7 Recommendation**

- 7.1 This business case recommends the enhanced masterplan (Masterplan Plus) option as both deliverable and viable. The enhanced masterplan shows a payback year 23 with a discounted internal rate of return (IRR) of 1.31% whereby a rate above 0% shows a positive return.
- 7.2 The revised business case includes increases in borrowing rates and costs since the original masterplan however, there is also a positive on-going rate of return from completion onwards significantly above the essential works option and which supports the case for enhancements.
- 7.3 Further, the enhancements will offer more extensive visible improvements supporting transformative change, reduce potential future costs to carry out works that would not otherwise be included and increase scope for improvements in sustainability including future proofing for e.g. introduction of PV.