

Council - Tuesday 16 July 2024

**Agenda
No** **Item**

10. **Olding Road, Bury St Edmunds: Options Appraisal (Pages 1 - 12)**

Appendices B to F to Report number: **COU/WS/24/013**

Yours sincerely

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Appendix B: Olding Road - Options Appraisal Matrix

	Option A	Option B	Option C	Option D	Option E
	Essential Investment Option (employment use/mixed use)	Full Demolition Option (no development)	Full (Heavy) Refurbishment Option (employment use/mixed use)	Full Demolition and Redvelopment Option (retail use)	AME Option
Environmental	Reuse of the existing frame reduces embodied carbon. Opportunity for large solar array on roof. Limited opportunity to create an all electric site. Limited opportunity to improve the energy improvement of the fabric (apart from roof).	Increased embodied carbon due to demolishing the existing frame. Loss of roof - no opportunity for large solar array on roof (unless canopy mounted, which requires significant further investment).	Reuse of the existing frame reduces embodied carbon. Opportunity for large solar array on roof. Opportunity for BREEAM excellent. Opportunity to create an all electric site.	Opportunity for some solar array on roof. Opportunity for BREEAM excellent (new build). Opportunity to create an all electric site. Increased embodied carbon due to demolishing the existing frame.	Opportunity for some solar array on roof. Opportunity for BREEAM excellent (new build). Opportunity to create an all electric site. Increased embodied carbon due to demolishing the existing frame.
Planning	Accords with the current and emerging Local Plan. Consistent with previous Council decisions on third party sites. Supports the delivery of the council's strategic priorities. Requires planning permission for the change of use and the retention of the battery storage.	Accords with the current and emerging Local Plan. Consistent with previous Council decisions on third party sites. Requires planning permission for the change of use (dependent on use) and the retention of the battery storage.	Accords with current and emerging Local Plan. Consistent with previous Council decisions on third party sites. Requires planning permission for the change of use (dependent on use) and the retention of the battery storage.	Contrary to National and Local policy, including the current and emerging Local Plan. Requires planning permission for the change of use and a sequential test and retail impact assessment (out of centre retail proposal). Conflicts with previous Council decisions on third party sites.	Accords with current and emerging Local Plan. Consistent with Council decisions on third party sites.
Highways/Utilities	Expected to result in least amount of impact on network across options. May see some increase in vehicle movements. Third Party negotiations/approvals may be needed if Highway improvement works are triggered. Offsite improvements to cycle and pedestrian routes likely to be required by Highways.	Expected to result in least amount of impact on network across options. May see some increase in vehicle movements. Third Party negotiations/approvals may be needed if Highway improvement works are triggered. Offsite improvements to cycle and pedestrian routes likely to be required by Highways.	May see some increase in vehicle movements. Third Party negotiations/ approvals are likely to be needed if Highway improvement works are triggered. Offsite improvements to cycle and pedestrian routes likely to be required by Highways.	May see some increase in vehicle movements. Third Party negotiations/ approvals are likely to be needed if Highway improvement works are triggered. Offsite improvements to cycle and pedestrian routes likely to be required by Highways.	Highways and utilities capacities remain a risk and require further investigation to ensure the site has sufficient capacity for this development. May see some increase in vehicle movements. Third Party negotiations/ approvals are likely to be needed if Highway improvement works are triggered. Offsite improvements to cycle and pedestrian routes likely to be required by Highways.
Locality Impact	Positive impact on locality through recreational community use. Some increased traffic.	Area will be left somewhat redundant, visually unattractive (unless further capital is invested and may be required to assist with the narrative of this option). Some increased traffic.	Positive impact on locality through recreational community use. Some increased traffic.	Some increased traffic.	Positive impact on locality through local small business growth. Increased traffic.
Market Demand	Registered interest received from a trampoline park for the depot. Limited demand for light industrial and community uses.	Healthy demand for yard space for storage on 5 year leases due to lower rental level.	National occupiers with strong covenants will prefer the full refurb options. Market demand may be limited due because community uses can't afford the higher rents. The trampoline tenant ruled out this option.	Live requirements for retail in the town. Two registered retail interests for this site. Questionable whether there is sufficient demand for retail in the town overall to justify retail on the whole site.	High rent levels for new build units might discourage some tenants.
Deliverability Risk	Low deliverability risk.	Low deliverability risk.	Medium deliverability risk (due to high capital costs).	High deliverability risk.	High deliverability risk.
Future flexibility	Future development options remain available. Retains asset and therefore value.	Future development options remain available. Removes a building asset that has a potential to generate income.	Retains and invests in the asset. Limits future developments on the site.	Limits future developments on the site.	Limits potential for other future developments on the site.
Programme (speed)	Shortest delivery programme (site operational early 2026).	Shortest delivery programme (site operational early 2026).	Longer delivery period than Option A.	Significantly longer delivery period than Option A.	Significantly longer delivery period than Option A.
Link to Strategic Priorities	Temporary uses support the 'Thriving Communities' and 'Sustainable Growth' priority on a temporary basis (during the short-term leases). Protects skatepark and provides area for potential future expansion to deliver further 'Thriving Communities' objectives.	Further work required on alternative uses to deliver council objectives in the short-term and additional investment required.	Uses support the 'Thriving Communities' and 'Sustainable Growth' objectives on a permanent basis.	Strategic priority is to continue to support West Suffolk's Local High Street's and Markets as the vibrant centres of thriving Local communities. This option goes against this objective.	Supports the 'Sustainable Growth' objective on a permanent basis and helps to reestablish an employment site.

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**OLDING ROAD
BURY ST EDMUNDS
SUFFOLK
IP33 3TA**

Development Options Appraisals Report

West Suffolk Council

13th June 2024

1. EXECUTIVE SUMMARY

We summarise the key features of this report which should nevertheless be read in full.

- The Olding Road site was intended to be developed into a mixed-use hub (public health, leisure and private sector offices) as part of a Public Service Village (PSV). The project has subsequently evolved with the existing Bury St Edmunds Leisure Centre being retained and refurbished rather than creating a new facility on the subject site. As such, all potential future use options are now being considered on the site – as outlined in this report.
- The site is located within a mixed-use area including commercial, education, leisure, retail and residential uses.
- Existing buildings on the site comprise of a former warehouse building (8,367 m² / 90,062 sq. ft. – all floors), depot building (3,290 m² / 35,413 sq. ft. – all floors) and baling shed (650 m² / 6,997 sq. ft.).
- Soft market testing has been carried out to better understand the levels of demand for various types of potential end uses including:
 - Food retail
 - Retail warehouse
 - Leisure / active leisure
 - Gym
 - Builders merchants / DIY stores
 - Self-storage
 - Day Nursery
 - Hotel
- Expressions of interest were received from various parties across a range of sectors including: Lidl, Loaf, Hobbie Craft, SCS, Go Outdoors, Any Time Fitness, Wickes, Cinch Self Storage, WigWam Self Storage, Travelodge and a Trampoline Park Operator.
- Warehouse / logistics occupiers did not form a part of the soft market testing, but it was found that there are over 23 active requirements for space within Bury St Edmunds from occupiers of this kind.
- In-depth market analysis was carried out - the findings of which have influenced the options considered. The market sectors analysed included:
 - Industrial
 - Food Retail
 - Retail Warehouse
 - Active Leisure
 - Self-Storage
 - Day Nursery
 - Hotel
- A total of seven re-use / redevelopment options have been considered. The options cover a range of scenarios ranging from the retention and re-use of the existing buildings (subject to either light or full refurbishment works) for warehouse / light industrial accommodation to the creation of purpose-built buildings suitable for retail warehouse / food retail / hotel / day-nursery or active leisure.
- Development appraisals were completed for all of the proposed options based on costings provided by Currie & Brown in addition to other development assumptions, detailed in the report.
- The headline findings of the development appraisals (based on the assumptions outlined) were that:
 - None of the options make a profit. Option A (warehouse refurbishment) generates the lowest deficit at -£5,426,857 compared to Option D2 (warehouse / active leisure) which has the largest deficit at -£13,706,278.
 - Option F2 (retail development) provided the highest annual rental income (£1,487,669 pa) compared to Option A which generates the lowest (£796,966).
 - However, Option F2 is the most expensive option to deliver with total costs (excluding land) coming in at £27,887,182. Conversely, Option A is the cheapest to deliver at £9,336,639.
- Sensitivity analysis was carried out for each option to determine if a profit could be made through a combination of increased rent and reduced construction costs. Based on the analysis undertaken – it could be possible to achieve a profit on cost for Options A, B, C, E, F, G1 and G2. However, to achieve this – potentially unrealistic increases in rent or decreases in construction costs are required.
- Further analysis of the possible development options is required – particularly around assumed specifications and associated construction costs. In addition, further market engagement is recommended to refine prospective end occupier requirements combined with detailed development of option plans with associated planning advice on each.
- The aspiration is to secure pre-lets for the spaces created as soon as possible to minimize exposure and reduce risk. A marketing process has been outlined with an estimated timeline of circa 40 weeks to prepare for and then engage fully with the market to the point of agreeing Heads of Terms.

Client: West Suffolk Council

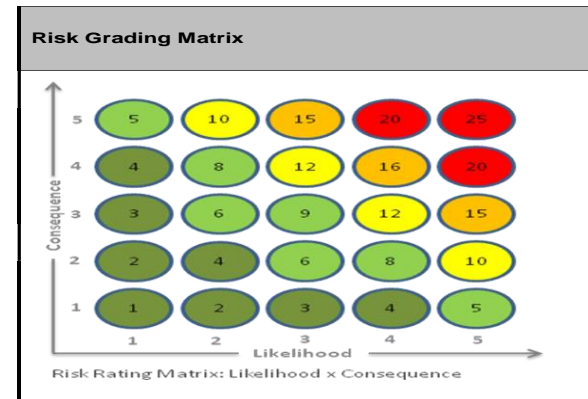
Project: Olding Road Recommended Option A - Essential Investment Option

Appendix D: Risk Register

Introduction

The purpose of the Risk Assessment procedure is to encourage the identification and awareness of potential risks to the project. The risks being identified and treated by this procedure are those that will impact, (usually adversely) on the project. The project will adopt a scale of 1 to 5 to measure likelihood and consequence; the most significant risks will be identified by multiplying likelihood by consequence:

Definitions	Estimating Risk		
	Likelihood	Consequence	Ratings
Risk = the likelihood of an event occurring in combination with the consequence of that event	1 = very unlikely	1 = insignificant	1 > 4 = very low
Likelihood = how likely is it that a particular event will occur (also known as chance or probability)	2 = unlikely	2 = minor	5 > 9 = low
Consequence = the likely foreseeable impact of event occurring	3 = fairly likely	3 = moderate	10 > 14 = medium
Risk rating = Likelihood (L) x Consequence (C)	4 = likely	4 = major	15 > 19 = high
Residual Risk = is the estimated risk that remains after any Mitigation Actions and controls have been implemented	5 = very likely	5 = very serious	20 > 25 = very high



Key	
DT	Design Team
PM	Project Manager
WSC	West Suffolk Council

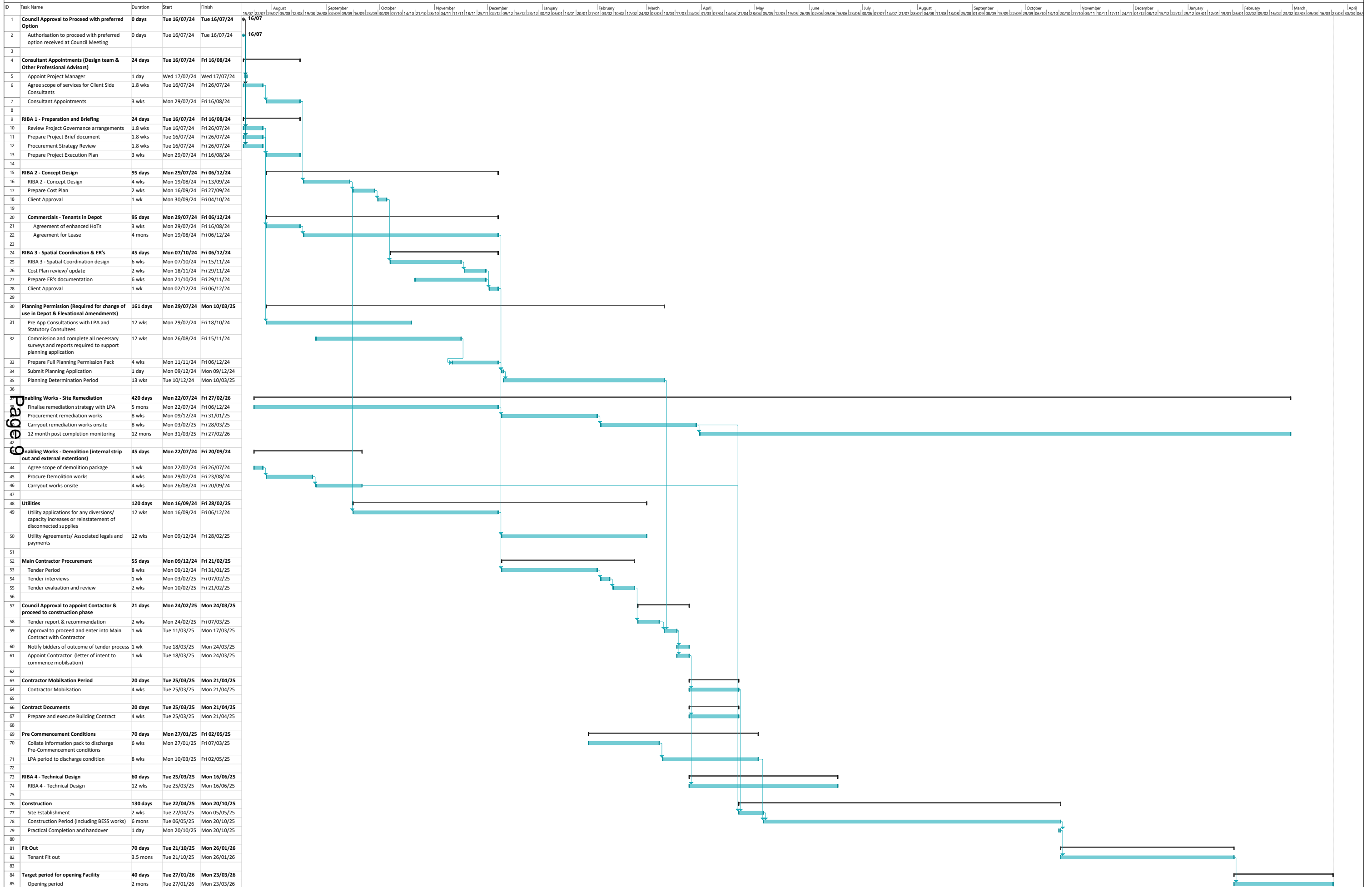
RISK IDENTITY AND ASSESSMENT

Nr	POTENTIAL RISKS	Category	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Risk Rating		Mitigation action	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Residual Risk Rating (after Mitigation)		Risk Owner / Action	Status/Comments
					Value	Severity				Value	Severity		
1	Financial business case does not achieve a break even position.	Financial	3	4	12	M	Continue reviewing and updating the financial model at each milestone of the project to incorporate updated financial information. Do not proceed through gateways unless financial tests are met.	2	4	8	L	Client	
2	Budget not sufficient to deliver objectives	Financial	3	4	12	M	Council to ensure Budget provision is robust & reflects the intended scope.	2	4	8	L	Client	
3	Costs of construction are higher than budget allowance.	Financial	3	4	12	M	Appoint a cost consultant/quantity surveyor to manage pre and post contract costs in the next stages. Introduce a change control process to ensure scope creep does not result in overspends. Ensure a "design to cost" approach is taken as the design develops. Competitive tender process to ensure the most competitive price is obtained.	2	4	8	L	Cost Manager	
4	Professional fees are higher than budgeted.	Financial	2	4	8	L	Procure construction professionals via competitive tender to ensure value for money.	1	4	4	L	Client	
5	Rent levels are lower than modelled.	Financial	2	4	8	L	Seek to put in place Agreement for Leases with Tenants before committing to Building Contract.	1	4	4	L	Client	
6	Tenants' business failure or default on lease obligations	Financial	2	3	6	L	Carry out due diligence on tenants at evaluation. Only consider tenants with strong covenants.	1	4	4	L	Client	
7	Higher level of tenant voids than expected	Financial	2	3	6	L	Carry out due diligence on tenants and only consider tenants with strong covenants.	1	4	4	L	Client	
8	Retaining the existing frame results in a cost premium (for example: due to inefficient external wall to floor ratios, height of the building etc.)	Financial	2	4	8	L	Retention of the frame only if uses can make use of the height (storage and distribution, light industrial, trampolining, climbing ect.).	1	4	4	L	Design Team	
9	Delay to programme: Extent of asbestos removal greater than anticipated or increased demolition cost.	Financial	2	4	8	L	R&D asbestos survey already complete. Appoint licenced Contractor to carry out demolition works.	1	4	4	L	Client	
10	Interest rate rises increase cost of borrowing.	Financial	3	5	15	H	Contingency funding in the budget to enable an increase in borrowing costs to be accommodated.	2	5	10	M	Client	
11	Delay to programme causes uplift to inflation costs.	Financial	3	5	15	H	Monitor progress against the approved strategic programme and take early mitigating action to manage the impact of any delays that may arise.	2	5	10	M	Project Manager	
12	Insolvencies within supply chain.	Financial	2	4	8	L	Check company health before appointment of main contractor. Consider option of obtaining parent company guarantee or performance bond.	2	4	8	L	Client	

RISK IDENTITY AND ASSESSMENT													
Nr	POTENTIAL RISKS	Category	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Risk Rating		Mitigation action	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Residual Risk Rating (after Mitigation)		Risk Owner / Action	Status/Comments
					Value	Severity				Value	Severity		
13	Post election re-boot of projects nationwide following a period of strategic pause in the market place. Contractors become more selective to bidding opportunities along with higher than forecast inflation levels.	Financial	3	4	12	M	Early engagement with framework contractors to establish level of interest. Monitor inflation trends post election and identify any cost uplift pressure early on.	2	4	8	L	Project Manager	
14	Building constraints including condition of existing frame/slab & facade.	Technical	3	4	12	M	Undertake further detailed condition surveys during the next stage.	2	4	8	L	Design Team	
15	Changes to scope during Tender/ Pre Contract period leads to programme delay and additional costs.	Technical	3	4	12	M	Put in place change control procedures in line with the RIBA plan of work to monitor costs.	2	4	8	L	Project Manager	
16	Contamination remediation solution more onerous than previously assumed and results in knock on consequences to site surrounding Depot.	Technical	3	5	15	M	Continue to work EPS to undertake further investigations and work through remediation procedures. Engage with LPA, EA and agree the remediation actions required.	2	5	10	M	Client	
17	Design & Build may not be the most appropriate contract if the essential investment option is a temporary "refurbishment".	Technical	3	4	12	M	Review procurement strategy with project team following approval.	2	4	8	L	Project Manager	
18	Mixed uses across site are not complimentary resulting in H&S and operational issues which need to be managed	Technical	3	4	12	M	Identify key risks early on in design programme so these can be designed out. Management policies to be put in place for any residual risks	2	4	8	L	Design Team	
19	Delays to pre-contract period linked to planning challenges.	Programme	2	4	8	L	Ensure proposals do not oppose Planning Policy. Early engagement with LPA to identify possible challenges.	1	4	4	L	Design Team	
20	Delays to programme due to poor governance arrangements, decision making process and/or lack of forward planning.	Programme	3	4	12	M	Ensure decisions are made at appropriate levels with clear lines of accountability. Ensure good governance arrangements are in place.	2	4	8	L	Project Manager	
21	Delays to programme due to extent of ground contamination from fuel tanks worse than anticipated.	Programme	2	5	10	M	Carry out further investigation as required. Consider carrying out any required remediation as enabling works/separate project concurrent to other programme activities.	2	4	8	L	Project Manager	
22	Tenants do not sign up to project in anticipated timescales resulting in delay.	Programme	3	4	12	M	Allocate resources to manage HoT/ legal aspects in line with programme.	2	4	8	L	Client	
23	Delay to programme: Nesting birds delay demolition resulting in withdrawal of interest from potential tenants.	Programme	2	4	8	L	Carry out the necessary surveys and recommendations prior to nesting season.	2	4	8	L	Client	
24	Delays linked to utility service connections and diversions.	Programme	3	4	12	M	Obtain quotes from statutory undertakers early in process.	2	4	8	L	Project Manager	
25	Delays to Agreement for Lease (AFL) results in delays to project.	Programme	3	5	15	M	Resource to be allocated to progress AfL. Regular updates to be provided so that proactive action can be taken to accelerate the process if the programme is at risk. If this is not possible, then a risk vs benefit assessment will be carried out to compare the inflation risk associated with a delay, against the abortive cost risk of continuing at risk until the AfL is in place.	2	4	8	L	Client	
26	Scheme not approved as it deviates from planning policy.	Planning	2	4	8	L	Early engagement with LPA.	1	4	4	L	Design Team	
27	Proposals for existing BESS do not meet planning requirements. This means the existing BESS needs to be relocated attracting significant additional costs linked to cabling and recommissioning.	Planning	3	4	12	M	Undertake early pre-application consultations with the LPA to develop design proposals which meet requirements to minimise the risk of this not being approved.	1	4	4	L	Design Team	
28	Highway improvements/contributions to on-site and off-site works exceed allowance within the project costs and programme.	Highways	3	5	15	M	Early engagement with LPA and Highways to discuss way forward. Consider appointing transport engineer to assist.	2	5	10	M	Project Manager	
29	Olding Road roundabout improvements trigger relocation of skatepark.	Highways	2	5	10	M	Early engagement with LPA and Highways to discuss. Consider appointing transport engineer to assist.	1	5	5	L	Project Manager	
30	Site connectivity for pedestrians may trigger requirement for ramp.	Highways	3	5	15	M	Early engagement with LPA and Highways to discuss. Consider appointing transport engineer to assist.	2	5	10	M	Project Manager	
31	Potential title issues: - Northern annex is sitting on the WSH title – ownership shared with SCC. - Any access and egress points from the building onto the WSH site will require permanent rights of access. - Any cabling in the WSH car park will require legal agreements with SCC.	Legal	3	3	9	L	Legal team to monitor risk as plans develop. Early conversations and negotiations with SCC.	2	3	6	L	Client	

RISK IDENTITY AND ASSESSMENT													
Nr	POTENTIAL RISKS	Category	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Risk Rating		Mitigation action	LIKELIHOOD (L) Graded 1 to 5	CONSEQUENCE (C) Graded 1 to 5	Residual Risk Rating (after Mitigation)		Risk Owner / Action	Status/Comments
					Value	Severity				Value	Severity		
32	Tile & Stone – issues securing option agreement for highways works (if required).	Legal	2	4	8	L	Legal team to monitor risk as plans develop. Early conversations and negotiations with land owner.	2	4	8	L	Client	
33	Not complying with Client duties under the recently introduced Building Safety Act.	Legal	2	5	10	M	Ensure all new client obligations under the Act are met.	1	5	5	L	Client	
34	Marketing process fails to secure suitable tenants for the Warehouse scheme.	Demand	2	4	8	L	Monitor market demand. Ensure the opportunity is promoted widely by the agent via direct mailing and online marketing. Seek to get agreement for lease in place at an early stage.	1	4	4	L	Client	
35	Tenants offer unsuitable terms	Demand	2	3	6	L	Ensure particulars clearly set out our expectations.	2	3	6	L	Client	
36	The project attracts bad publicity.	Comms	2	3	6	L	Set up communications plan to proactively manage any reputational risks which may occur throughout duration of project.	1	3	3	L	Client	

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Appendix F: Financial Appraisal

	Option A: Essential Investment Option (recommended option)	Option B: Demolish Site Option
	Community / employment use	Rent out as yard space (warehouse / depot area)
	TEMPORARY USE	TEMPORARY USE
High Level Capital Cost (incl PV cost where applicable)	£7.00m	£1.75m
Less: contributions from WSOH & other sources	(£1.00m)	(£1.00m)
New Borrowing	£6.00m	£0.75m
Annual Borrowing Costs	(£0.76m)	(£0.10m)
Initial Annual Income	£0.76m	£0.07m -£0.11m
Initial Annual Surplus / (Deficit)	£0.00m	(£0.03m) - £0.01m
Initial return on capital investment before borrowing **	10.89%	4.25% - 6.25%
Initial return on capital investment after borrowing + provides net return/ - creates a revenue pressure	0.00%	-1.22% - 0.78%
Holding costs before development	£0.60m	£0.30m

* Includes borrowing costs associated with the £3.4m land acquisition costs as include this as they will be picked up in any future long-term option. In the shc

** Returns are based on fully occupied schemes.

Note: The figures provided in this table are based on initial high-level appraisal recommended option is progressed to a detailed stage.

Option C: Full (Heavy) Refurbishment Option	Option D: Full Demolition and Redevelopment Option	Option E: AME Unit Option
Full Community use	Retail Use	£15m already in Capital Programme
LONG-TERM	LONG-TERM	LONG-TERM
£17.06m	£20.97m	£19.62m
(£1.00m)	(£1.00m)	(£1.00m)
£16.06m	£19.97m	£18.62m
(£1.07m)*	(£1.29m)*	(£1.99m)*
£1.05m	£1.19m	£1.38m
(£0.02m)	(£0.10m)	(£0.61m)
5.13%	4.88%	6.27%
-0.11%	-0.41%	-2.75%
£0.75m	£0.90m	£0.45m

these are long term options. The temporary options do not
short term, these costs will need to be managed as part of the

ls of the options and may be subject to change as the