

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Western Way, Bury St Edmunds Development Site, Phase II (PSV II)	
Report No:	CAB/SE/16/017	
Report to and dates:	Cabinet	29 March 2016
	Extraordinary Council	19 April 2016
Portfolio holder:	Alaric Pugh Portfolio Holder for Planning and Growth Tel: 07930 460899 Email: alaric.pugh@stedsbc.gov.uk	
Lead officer:	Steven Wood Head of Planning and Growth Tel: 01284 757306 Email: steven.wood @westsuffolk.gov.uk	
Purpose of report:	<p>The original Public Service Village concept (now to be known as Western Way Development site) was approved and adopted by the Council in 2006. West Suffolk House was built as part of Phase 1.</p> <p>At its meeting on 16 December 2014 the Council agreed to undertake initial work to formulate Phase II of the Public Service Village project. Funding was approved for the appointment of consultants to:</p> <ul style="list-style-type: none">- assist with the review of the adopted Masterplan;- provide project management support;- provide legal and property advice. <p>As part of this initial stage, the commercial considerations have been examined to establish whether the proposals contained in the revised Masterplan for this project are financially feasible.</p> <p>The redevelopment appraisal was completed in December 2015 and demonstrated that the project was financially sustainable over a 30-year period providing the Council with a positive and increasing income profile from the fourth year of the development phase.</p>	

	This report asks for consent and funding to enable progress of the project through the deliverability and design stage following the adoption of the Masterplan by Cabinet and Council (see link contained within the report).	
Recommendations:	<p>Subject to the approval of full Council, it is <u>RECOMMENDED</u> that Cabinet agrees:</p> <p>(1) the proposals the Council should pursue are the options that deliver a comprehensive development of the site identified by the adopted revised Masterplan which includes the DHL/NHS distribution centre and the Council-owned land; and</p> <p>(2) a budget of up to £100,000, to be funded from the Council's strategic priorities and medium term financial strategy reserve, is allocated to progress the proposal that best achieves the Council's objectives for the site to deliverability and design stage to enable a preferred option to be formulated and presented to Cabinet, as set out in Section 4 of Report No: CAB/SE/16/017; and</p> <p>(3) following the Cabinet consideration of the preferred proposal a report be prepared outlining Cabinet's recommended development scheme for Council to give final approval for the delivery of phase II of the Western Way Development site.</p>	
Key Decision: (Check the appropriate box and delete all those that do not apply.)	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>As they are full Council decisions</p>	
Consultation:	Pigeon Developments, West Suffolk College, NHS, Leisure Centre Manager, One Public Estate , DHL NHS, West Suffolk Head of Operations, Suffolk County Council, Ward Members, neighbouring businesses and other public sector and commercial organisations.	
Alternative option(s):	<ol style="list-style-type: none"> 1. Do nothing. 2. Sell site for residential development. 3. Develop site with partner land. 4. Develop site without partner land. 	
Implications:		
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	The budget of up to £100,000 is

	proposed to be funded from the Council's strategic priorities and medium term financial strategy reserve as set out in the main body of the report.		
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Internal resources would be involved in progressing to deliverability and design stage. 		
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 		
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> This work would result in legal heads of terms being progressed with potential partners. 		
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 		
Risk/opportunity assessment: <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Not appointing appropriate expertise or dedicated build manager inhibits progress and loss of existing advisors.	High	Continue with the appropriate professional appointments to protect the council's interests.	Medium
Achieving best consideration	High	Make appropriate professional appointments to protect the council's interests. Adopt project management principles to manage the project.	Low
Achieving build start on site date beginning of 2018	High	Gateway project management, appropriate level of resources at each stage of the project. Good project management and corporate commitment.	Medium
Ward(s) affected:		All	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Public Service Village Phase II, Olding Road, Bury St Edmunds 16 December 2014 CAB/SE/15/023 - 24 March 2015 Western Way, Masterplan consultation documents http://www.westsuffolk.gov.uk/Council/Consultations/westernway.cfm West Suffolk Investment Framework	
Documents attached:		EXEMPT Appendix 1: Commercially sensitive information	

1. Key issues and reasons for recommendations

1. Background

- 1.1.1 At its meeting on 16 December 2014, the Council was reminded of the concept of a public service village (PSV) on the Olding Road Bury St Edmunds Site and how that was contained in a Masterplan approved in June 2006. West Suffolk House (WSH), being the first phase, had successfully achieved its objectives in accommodating staff from St Edmundsbury Borough Council (and now, as part of the joint service initiative, staff from Forest Heath District Council) and Suffolk County Council together with other public sector organisations. It has been estimated that at least £4m has been saved by St Edmundsbury Borough Council by relocating its office staff in West Suffolk House.
- 1.1.2 The improving economic environment and changes in ownership of the DHL (NHS Logistics) building has provided an opportunity for the Council to resurrect its 2006 plans to complete the second phase of a Public Service Village project on land located adjacent to West Suffolk House. The delivery of a comprehensive development of the site as envisaged by the revised and now adopted Masterplan will be influenced by the timing of the relocation of the Council's depot services, the status of the NHS logistics contract together with whether the Council has control of all the land needed for the development.

The Western Way Development site project, formerly known as PSV II, has two key components:

- (a) The review of the Western Way Masterplan to include the DHL (NHS Logistics) building and any changes in the economic environment since its adoption as planning guidance in 2006; and
- (b) The development of a phased approach to deliver the Council's aspirations for the site by entering into partnerships with key public and private sector stakeholders and an agreement with the new landowners of the DHL (NHS Logistics) building.

2. Masterplan

- 2.1.1 The consultation process of the Western Way Masterplan review has now been completed and following examination of the plan, together with the consultation responses, the Sustainable Development Working Party has recommended to Cabinet that the Council formally adopts the Western Way Masterplan (see Report No: CAB/SE/16/016 contained elsewhere on this Cabinet agenda). The consultation period began on 25 January 2016 and was completed on 29 February 2016. The link given overleaf provides the details of the Masterplan and an indicative plan showing how the site could be developed. Importantly, the indicative plan shows how it relates to the West Suffolk College Masterplan as well as Bury St Edmunds Leisure Centre and residential and commercial interests on the other boundaries of the site. The visuals used for the consultation process bring to life the Council's

aspiration for the site and present a very exciting prospect.

<http://www.westsuffolk.gov.uk/Council/Consultations/westernway.cfm>

2.1.2

The new Masterplan builds upon the assumptions in the 2006 Masterplan. In particular, the 2006 document reflected St Edmundsbury Borough Council's then decision to relocate the Depot Services to another site on the basis that the existing site would not be fit for purpose for the delivery of, and the future demands on, the waste and street scene services. The proposal in the revised Masterplan still assumes the relocation of the Council's depot services. Alternative sites are being considered but a final decision on relocation will be made later in 2016. The project programme and phasing of the development of the Western Way site provides adequate time for the decision around the Depot relocation to a new site to be agreed. The return on investment and the objectives outlined in this report (see 3.1.3 below) adds further justification to the case for relocation plans.

2.1.3

Most of the expenditure so far on this project has been spent on the delivery of the Masterplan (£70,000). This has included indicative designs, project management, project assessments, traffic surveys and formal and informal consultations.

3. **Development**

3.1.1

At its meeting on the 28 March 2015 the Cabinet was keen to see the project progress and gave the Head of Planning and Growth, in consultation with the Leader of the Council, delegated authority to:

- negotiate heads of terms for a joint venture with the owners of the DHL, NHS distribution unit;
- develop partnership agreements with potential occupiers of the Western Way Development site, as detailed in Section 1.1.7 of Report No: CAB/SE/15/023; and
- report the result of these discussions to a future meeting of the Council.

3.1.2

Discussions with the different parties have continued and progress has been made. However during the commercial modelling of the project, it became clear that following an assessment of the feasibility of a number of different development models, together with a commercial appraisal of the options available to the Council, a different approach could be more appropriate than suggested at 3.1.1 above.

3.1.3

The commercial appraisal was commissioned to address the following objectives:

1. unlock the value of Council-held assets;
2. support the Council's public sector village aspiration;
3. strengthen relationships with other public sector organisations;
4. drive efficiency, improve customer experience and public service provision; and
5. maximise capital and revenue return to support future investment in

public sector transformation.

- 3.1.4 The initial appraisal concluded that the most financially prudent option, if the project was progressed, was for the Council to effectively become the developer of the site. This then presents a number of development options taking account of the interests being expressed and land ownership requirements.
- 3.1.5 The Development Options for the Council were analysed over a 30-year period, giving a net present value of net levels of deficit (D) and surplus (S) (owing to commercial sensitivities, the actual amounts for each option, the methodology and assumptions are detailed in the confidential part of this report at Exempt Appendix 1). Three of the options outlined below give the Council a surplus:
1. Do nothing – cost of maintaining the site (D)
 2. Simply sell the land for private development (S)
 - 3a. Develop and include DHL land (S)
 - 3b. Develop and exclude DHL land (S)
- 3.1.6 The Borough Council has been clear from the outset, and particularly when agreeing the 2006 Masterplan, that the preferred option and ultimate aim for the site would be for a comprehensive development of the whole site including the DHL/NHS logistical building. The revised Masterplan addresses this aim. See revised Masterplan using the following link
- <http://www.westsuffolk.gov.uk/Council/Consultations/westernway.cfm>
- 3.1.7 A table showing a summary of the financial assessment of each option is set out in the Exempt Appendix 1. In broad terms, what this shows is that Options 3a (with DHL building) and 3b (without DHL building) offer a similar net financial benefit (in financial and risk terms only Option 3b is marginally better than 3a). When adding additional criteria, for example economies of scale, aesthetics of the finished development, Option 3a better achieves the Council's objectives for the scheme.
- 3.1.8 In addition, Option 3a assumes the Council is in control of all the land around WSH. This would reduce the risks inherent to partnership working and allow the Council to maintain the level/density of development, standards and quality of design and important stakeholder objectives which a solely commercially-driven development would not.
- 3.1.9 In the light of the above, Cabinet is recommended to agree that officers continue to progress the option that best achieves the Council's objectives for the site to "delivery and design stage" to enable a preferred option to be formulated and presented to a future meeting of Cabinet.

4. **Programme**

- 4.1.1 The initial target for a start on site can only, at this stage, be estimated as being the beginning of 2018 but parts of the development that are not dependant on partnership arrangements, like the car park could be brought forward sooner. To help achieve this target, and subject to Cabinet approval, negotiations with the land owners of the DHL land will continue with a view to discussing alternative locations for the retention of the DHL (NHS) operation in Bury St Edmunds and possible acquisition of their interests. Other stakeholders will be asked to make formal commitments at the appropriate time in the formulation of the "delivery design stage" of the project.
- 4.1.2 To assist with those negotiations the Council will need to continue to work up the plan's designs and development programme together with the capital and revenue budgets for the scheme.
- 4.1.3 The ongoing financing of the scheme will be the subject of further analysis and will, if approved, start to appear in the relevant budget papers and profiled accordingly. Members are therefore invited to approve an additional budget of up to £100,000, funded from the delivery of the Council's strategic priorities and medium term financial strategy reserve, to take this project through to the deliverability and design stage. These monies will be used for design, legal, property and planning work. Undertaking this work will enable the Council to provide sufficient detail for parties/stakeholders who have shown an interest in being part of this exciting project and to make a formal commitment.
- 4.1.4 A comprehensive and fully costed scheme will then be brought forward for consideration by full Council February/April 2017.

High level illustrative project time line:

Action	Date
Masterplan adoption	April 2016
Procurement of consultants	June 2016
Design and delivery timeline	November 2016
Parties/stakeholder commitments	December 2016
Council approval	April 2017
First phase start on site	April 2018