

Western Way Development – Final Business Case

Report No:	CAB/WS/19/026	
Report to and dates:	Cabinet	10 September 2019
	Council	19 September 2019
Cabinet Member:	Councillor Jo Rayner Portfolio Holder for Leisure, Culture and Community Hubs Tel: 01284 750366 Email: jo.rayner@westsuffolk.gov.uk	
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Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Decisions Plan: The decision made as a result of this report will usually be published within 48 hours. This decision is not subject to call-in, as the decision is being recommended onto Council. This item is included on the Decisions Plan.

Wards impacted: All Wards



Recommendation: The Cabinet is, therefore, asked to **RECOMMEND** to Council that, subject to no further significant concerns or matters arising from the outcome of the public consultation:

- (1) the Final Business Cases for the Western Way Development (WWD), Bury St Edmunds and, as part of that wider scheme, the replacement of the Bury St Edmunds Leisure Centre be approved, allowing the project to be delivered on the basis set out in those Business Cases and the Council's Constitution;**
- (2) subject to the updates in this Final Business Case, the Strategic Case for the WWD contained in the 2018 Outline Business Case be reconfirmed;**
- (3) taking into account the outcome of the pre-application consultation, planning consent be sought by the Council and its partners for the WWD as described in the Final Business Case;**
- (4) provision of £300,000 be made from the Strategic Priorities and MTFS Reserve to fund the planning consent stage (i.e. (3) above);**
- (5) before any work commences on the tender pack(s) for any individual component of the scheme:**
 - (a) as set out in Paragraph 5.9.6 (a) of Part E of this Final Business case, the project must undergo a gateway review with an independent external expert to the satisfaction of the Council's Monitoring and Section 151 Officers and the Cabinet;**
 - (b) any public sector partners wishing to take part in phase 1 of the project will be required to enter into formal agreements to confirm the basis on which they will occupy the WWD and, in relation to their part(s) of the tender pack(s), to indemnify the Council for their share of its abortive costs if they subsequently withdraw or substantially reduce their requirements. With the Council, therefore, only holding the**



investment risk of its own elements of the project (e.g. the commercial offices) which will be underwritten by revenue balances or reserves; and

- (c) taking into account (a) and (b) above, the Cabinet will have adjusted the final phase 1 scheme so that it continues to meet the objectives set out in this Final Business Case, including the budgetary limits set out in (7) and (8) below;**
- (6) if the Council is to be involved directly in their delivery, a separate final business case will be required for the projects to provide student accommodation for West Suffolk College and/or a pre-school as part of the WWD;**
- (7) excluding the costs and income relating to the leisure centre, pre-school building and student accommodation, the Council's capital expenditure, through its capital programme, on the WWD be capped at a maximum of £112 million, funded at this stage by borrowing, subject to the Council's Section 151 Officer being satisfied at all times that, under the adopted principles set out in the Outline and Final Business Cases, the WWD is capable of achieving at least a break-even position on this expenditure over the whole life of the project allowing for the management of cash flow risk;**
- (8) the Council's capital expenditure, through its capital programme, for the replacement of the Bury St Edmunds Leisure Centre be set at £27.9m, funded at this stage by borrowing, allowing this element of the project to be delivered on the basis set out in the Outline and Final Business Cases and in accordance with the Council's Constitution;**
- (9) the Council's Section 151 Officer make the necessary changes to the Council's prudential indicators to reflect the direct cost to the Council of funding the project budgets set out in (7) and (8) above;**
- (10) provision be made from 2023/24 onwards for the revenue implications of the replacement of the leisure centre as set out**



in section 5.3.3 of Part E (Financial Case), with this funding being identified in the Council's Medium Term Financial Strategy as part of the 2020/21 budget process;

(11) subject to consultation with the relevant Portfolio Holders and, if appropriate, the Council's Monitoring Officer, the Council's Section 151 Officer determine the most beneficial and economic funding method for the project, including entering into agreements with third-party investors if required; and

(12) funding bids be made to regional and national funding bodies to offset the project funding and cash flow risks and support delivery of the actual scheme.



1. Background

- 1.1. The Western Way Development, or WWD, (also known as the Public Service Village (PSV)) was adopted as part of the One Public Estate (OPE) Programme when the councils in West Suffolk first joined OPE in 2014. Since the adoption of a new masterplan for the site in 2016, partners have been working on an outline business case that was approved in October 2018 by St Edmundsbury Borough Council and is consistent with the local estates strategy for the NHS.
- 1.2. The WWD is part of a network of existing or planned community hub projects across the whole West Suffolk area (see below). Building on this strong track record for co-location among the partners, the WWD has the potential to deliver another radical step change in the regeneration and sharing of the public estate, as well as providing the contribution to growth in employment envisaged by the inclusion of the site in the current local plan. As well as potentially delivering student accommodation and a large amount of new employment space, it aims to host council and government services, the NHS, leisure facilities, an advice centre, third sector organisations and both community and education services in a single building to improve public access, service delivery and efficiency, and promote skills and enterprise.
- 1.3. This ambition has been described as the creation of a “Public Service Village” (PSV) linking to the adjacent leisure facilities, West Suffolk College and the new sixth form college/local schools.
- 1.4. Through this co-location of public sector services, a number of sites have the potential to be unlocked for redevelopment delivering housing and employment opportunities.
- 1.5. The WWD would not only provide a better property solution for public services. By involving West Suffolk College, and including a significant amount of new commercial enterprise space, the WWD would also allow for skills and employment to be progressed in the town, with the additional potential to link directly to the new sixth form and STEM facility, as well as to apprenticeships and qualifications beyond degree level. In addition, health and wellbeing could be improved in the area by upgrading and integrating with the leisure facilities on the site. In essence, as with all of the West Suffolk hub projects, providing the infrastructure needed to support a growing and evolving community.
- 1.6. As explained in the business case, the WWD also has the scope to make a significant contribution to the Council’s commitment to address climate change by improving the environmental performance of the local public estate. Specifically through a significant investment in renewable technologies and a new travel plan.



2. What is already agreed in relation to the WWD?

- 2.1. The origins and evolution of the project are covered in some detail in earlier council reports and the 2018 Outline Business Case (OBC). The WWD project already benefits from an adopted masterplan, and the necessary land acquisitions. In addition, the OBC also confirmed:
- (a) the strategic case for the project;
 - (b) a preferred development option, namely the re-use of the existing concrete pad and steel frame of the depot building for the main hub, which offers a cheaper, more flexible and easier to phase solution than the other examined at earlier stages of the project;
 - (c) a 'baseline' and 'target' model for the PSV to test further in a FBC, with the objective of developing a deliverable scheme irrespective of who or what is incorporated in the final development;
 - (a) a set of financial principles to guide the involvement of public sector partners, including that no partner would be required to subsidise another;
 - (b) the principle of replacing the leisure centre as part of the PSV project on the basis of this being likely to be the most cost-effective asset management approach in the long-term;
 - (c) project funding to develop this FBC, including most of the design work required for a planning consent, and to take some preparatory actions (such as jointly investing in a single set of junction works on Beetons Way with the sixth form project). This was subject to part-funding also being received from partners;
 - (d) the commissioning of a detailed transport assessment;
 - (e) an external review of the FBC to complement the existing expert advice being commissioned to prepare it.

3. How does the WWD fit into the wider West Suffolk context?


- 3.1. The WWD needs to be seen as the latest instalment in the delivery of the One Public Estate (OPE) Programme in West Suffolk and, specifically, the combined efforts of its public sector to create a network of innovative community/service hubs across the whole area. This programme is consistent with the formal strategies of the various partners. Equally, it is evident in the asset management decisions of the partners going back to the opening of West Suffolk House on the WWD site in 2009; created as the first stage of a 'Public Service Village' (PSV). This FBC simply seeks to deliver the next stages of that PSV in Bury St Edmunds, alongside the other hub projects in West Suffolk.



- 3.2. So, while some elements of the WWD are unique to its specific local circumstances (see below), the DNA of the project is shared with multiple hub projects in West Suffolk – past, present and future. Specifically:
- **Brandon:** multiple partners sharing the Brandon Centre since 2013; current investigations into the potential for co-locating other services at the Leisure Centre.
 - **Bury St Edmunds:** multiple partners sharing West Suffolk House since 2009; co-location of fire and ambulance services since 2015.
 - **Clare:** Community hub project being led by local community; co-location of fire and police services at fire station.
 - **Haverhill:** multiple partners sharing Haverhill House; leisure centre upgrade completed in 2019 incorporating wellbeing facility; current work led by ONE Haverhill Partnership to investigate further hub opportunities in the town centre.
 - **Mildenhall:** multiple partners sharing the existing Council Offices; to be replaced in 2020 by the [Mildenhall Hub](#) a national exemplar hub project.
 - **Newmarket:** Emergency services co-location; hub project at hospital site being led by NHS; investigations into additional hub opportunities at leisure centre site and in town centre.
- 3.3. It is also important to understand the local context for a public services hub (PSV) in Bury St Edmunds. As with the other hub projects in West Suffolk, while they undoubtedly create opportunities for new models of service delivery, hubs are also a product of local and organisational circumstances at that specific time. They largely reflect what services are already in a town, what publicly-owned sites are available to be redeveloped and which services are able to participate in the first phase of the project.
- 3.4. Bury St Edmunds is the largest town in West Suffolk, and also home to a number of centralised public services serving a large catchment. This, therefore, is reflected in the scale of the PSV hub proposed in this FBC. Particularly the potential scale of the NHS facility within it. Similarly, the leisure centre (and particularly its pool) is scaled for the population in its catchment. As a unique local circumstance, the WWD scheme also reflects the size of the redevelopment site itself, and the ambition in the local plan to deliver a mixed use scheme as part of its regeneration. In a similar fashion, the Mildenhall Hub project is influenced by its co-location with a secondary school, and work on hubs in Haverhill is steered by the existing conclusions of the Haverhill Town Centre Masterplan.
- 3.5. What ties these various hub projects together, therefore, is the strength of the local ambition to use the public estate as a catalyst to shape places. However, there is no 'one size fits all' approach to hubs, each of which is a stand-alone project which needs to be tailored to the needs of each place.



4. Purpose and Content of this Final Business Case

- 4.1. Although summaries are provided in relevant places, this Final Business Case (FBC) does not seek to repeat what has already been established and agreed in the 2018 Outline Business Case (OBC). The OBC can be found at www.westsuffolk.gov.uk/www and is regarded as a key background document to this FBC, to be read in conjunction. **Specifically, this FBC is written on the basis that, having considered alternative options, councillors and partners have already agreed in principle to redevelop the Western Way site in the manner proposed.** The purpose of commissioning this FBC was therefore to provide final due diligence for taking the actual decision to deliver the project.
- 4.2. As such, the FBC indicates how the project has evolved since the OBC in 2018 into a final proposal. In deciding whether or not to proceed to the next delivery stage, councillors are asked specifically to determine:
- if this is a good investment on behalf of taxpayers? and
 - whether the necessary assurances are provided that the project can still deliver the desired outcomes in different (and worst-case) scenarios?
 - whether there are sufficient safeguards in place before the Council gets to a point of no-return as a developer?
- 4.3. The FBC will also assist partners in making their own decisions to proceed to the next stage of the scheme themselves. However, it is critical to note that the project has been designed to be flexible whatever occurs in the next phase, whichever partners do or don't commit to phase one. The Council is agreeing the FBC *as a developer*.
- 4.4. Like the OBC, the FBC deliberately does not attempt to define final levels of detail on matters of design and cost, since these will inevitably continue to evolve before and even after the planning application and, if approved, before any contracts are signed (with partners and contractors). Furthermore, at this early stage, flexibility continues to be crucial as an essential safeguard for the project.
- 4.5. More importantly, this level of detail is also something councillors will want to consider separately as part of their planning role and after the design is updated to reflect feedback from the pre-application consultation. It is therefore important at this stage that councillors only consider the proposal in terms of the Council's role as a landowner, developer and strategic body. Furthermore, this FBC does not represent the view of the Local Planning Authority, and any final proposals that result from it will need to be tested by the full planning process, with proper public engagement and reference to adopted planning policy. Where a planning view is reported in the text, it reflects the initial, and without prejudice, informal opinion of planning officer(s).
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5. Additional Information to Support the Business Case

- 5.1. The FBC is a self-contained document, with its own appendices, and therefore its contents are not repeated in this covering paper. This includes an examination of alternative options, risks, financial implications, environmental issues, etc. However, as additional clarification for some of that content:

Consultation

- 5.2. Although public consultation has already taken place on both the 2016 masterplan and the future of the leisure centre, a further community consultation on the Western Way Development has been carried out over this summer. The main purpose of this latest process was an informal pre-application consultation for any future planning application, giving people the chance to influence the design and transportation aspects of the scheme. It should be noted that a formal public consultation would be carried out for any planning application so this is not the only chance the community would have to comment on the scheme if this FBC is approved.
- 5.3. However, the latest consultation has also taken the opportunity to seek public views on the broader hub concept and how this may be delivered to its full potential. As such, the consultation is relevant to how the WWD project evolves strategically and operationally in the next phase.
- 5.4. The consultation started on 24 July and ends on 10 September (7 weeks). This reflects the need to consult on the latest designs that have been used in this FBC but which were not available until July because they needed to reflect partner requirements and pre-application planning advice. **As such, an interim update will be provided orally to Cabinet on 10 September 2019 and a short summary Appendix will be circulated as a report, to follow, for Council the following week.** A full report on the consultation will be published before (or as part of) any planning application submission and the designs will be updated to take on board any feedback received.

External Review

- 5.5. The 2018 OBC was approved on the basis of Council receiving an external gateway review before making final decisions on the project. This was primarily to be focused on the financial and delivery vehicle aspects of the project, as these were the new dimensions compared to other hub projects.
- 5.6. The 2018 OBC envisaged that, by the point this FBC was written, there would be greater certainty on partner requirements and the scope for external funding and that the gateway review would be part of the FBC report. Clearly, as the project progresses, things change and our understanding of it evolves. In the case of WWD, some aspects of the project are new territory for the Council and some of the partners.



- 5.7. As the attached FBC will demonstrate, having absolute certainty on the partner requirement will shape how the first phase of the project is tendered and then actually delivered. The proposed design is flexible enough to adapt to however this requirement ends up. Therefore, there is no reason to hold up a planning application. However, the core focus of the gateway review (i.e. project finance), is only ready at this point to be approved in principle, and then clarified before the contractual spending decisions are taken.
- 5.8. Partners and external funders have demonstrated considerable commitment to the project since last October (including signing partnership agreements and investing significant project funds of their own). However, as the work has progressed, it has become clearer that, in sequential terms, if we want to maintain the current pace on the project, the Council will need to approve its own FBC first. Then seek planning consent, with partner due diligence running in parallel but slightly behind. This is because all partners and funders will want to see the Council approve its own business case before they can sign up themselves. In some cases, it is also a formal funding criterion that planning consent must be in place and/or the project must be delivered within two years.
- 5.9. Approving this FBC is therefore a key act of project assurance for partners, and is a precursor to getting certainty about their involvement and funding. Which, in turn, will ultimately dictate the investment required from the Council in phase one. For this, and other reasons explained in the FBC, pushing on to obtain the planning consent is a priority action.
- 5.10. *As an aside, it is also worth noting that, through its work on the FBC, the Council and partners have already paid for and done the large majority of the work required to make that planning application, in any event. A consent would also support other developer models of delivering the adopted masterplan and increase the value of the site. So, as risk mitigation, seeking the consent is strongly recommended.*
- 5.11. This better understanding of the project changes the dynamic and purpose of the Council's FBC and, in particular, the justification for commissioning the external gateway review at this specific point of the project. Not least as this may cost between £10,000 and £20,000. Doing the review too early may also require another review to be completed later.
- 5.12. Furthermore, a gateway review would require a range of stakeholder involvement. This FBC is the Council's own internal business case as a developer. The final WWD will be a project comprising multiple partner business cases, most to be signed off in the coming months once they have seen the Council's FBC. Therefore, at this point, it could be premature for some of the partners to define their precise involvement and to get best value from a gateway review themselves.
- 5.13. It may also be more productive to involve councillors in the review after they have had chance to consider the business case themselves, and



establish the commitment of the new West Suffolk Council to delivering it. Following the elections to West Suffolk Council in May 2019, this FBC is the first chance councillors have had to consider what is likely to be the largest capital project in this council administration, and potentially many thereafter.

- 5.14. It is also critical to stress that this FBC has not been prepared without extensive external and expert advice, to supplement the significant professional resources from multiple teams within the Council. Pick Everard have advised the project on design and cost since 2016, and the commercial and investment aspects of the project have been informed by work by Deloitte and Carter Jonas. The project has also been supported by Currie & Brown (project management and procurement advice) and Richard Utting Associates (project management). Partners have also been provided with specialist advice of their own, for instance on the leisure, student accommodation and health aspects. Advice on borrowing has been obtained from the Council's treasury advisers. So, in addition to the extensive due diligence the Council and partners have done of their own, the project has already been robustly tested through external advice.
- 5.15. For the reasons above, it is proposed that the gateway review is a condition of moving into the procurement phase of the project, rather than the planning phase, and that the funding for carrying it out is rolled into the next phase of the project. This honours the principle in the OBC that the review will take place before the very large and riskier investment takes place.

Structure of Documents, Appendices and Further Information

- 5.16. For a £100m+ project there is obviously a huge amount of information to support this FBC, and an attempt has been made to focus the reading for councillors.
- 5.17. Firstly, a detailed and standalone executive summary has been provided at the start of the FBC which provides the reasoning behind the recommendations.
- 5.18. In terms of supporting information for the recommendations, there are two final business cases: the main WWD FBC; and, as **Appendix 1** to that, the leisure centre FBC. In the main, the two FBCs can also be read as standalone documents, as they summarise the content of appendices. However, separate and essential information on risks and environmental implications is provided in **Appendices 2 and 3** respectively.
- 5.19. To minimise printing, only the above documents are being printed and circulated in advance of the meeting to councillors with their agenda packs. All other appendices, which provide background information to the main reports, are only being published online as part of the agenda pack.
- 5.20. *Councillors are strongly urged to raise any detailed technical questions on the papers before the Cabinet or Council meetings with Officers.*



5.21. Finally, some of these background appendices are exempt because they contain commercially sensitive information, particularly prior to any procurement or marketing exercises on behalf of taxpayers. However, as they are only background information, there is no need to go into private session at the Cabinet or Council meeting to discuss this report unless there is a specific matter requiring discussion in one of these appendices. For that reason, councillors are particularly encouraged to raise questions on these appendices in advance of the meeting to avoid the need to exclude the public and press from parts of the meeting.

6. Background documents

6.1. [Outline Business Case for WWD, October 2018](#)

Public Service Village
Phase II, Olding Road, Bury St Edmunds
[CAB/SE/15/023](#)

Western Way, Masterplan 2016
<http://www.westsuffolk.gov.uk/Council/Consultations/westernway.cfm>

Western Way, Bury St Edmunds Development Site, Phase II (PSV II)
[CAB/SE/16/017](#)

[West Suffolk Investment Framework](#)

