West Suffolk Council

Final Business Case
Western Way Development

September 2019

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* *Published online only, as background information*
** *To Follow*

A. Executive Summary

1. In 2016, St Edmundsbury Borough Council (now West Suffolk Council) reviewed and updated a long-standing masterplan for land off Western Way in Bury St Edmunds This masterplan, for the 'Western Way Development' (WWD), sought to deliver a mixed-use regeneration of the existing depot sites for new employment, public services and leisure facilities. Specifically, it provided for the final phases of a 'Public Service Village' (PSV) project which had begun with West Suffolk House over 10 years earlier.

2. The vision for the project is a step change in terms of outcomes for the families and communities of West Suffolk, particularly in terms of health, skills and enterprise. It will do this by bringing together a large amount of new employment space, student accommodation, education, leisure facilities, health and multiple other public, voluntary and community services in a single area to improve public access, service delivery and efficiency, and promote skills and enterprise.

3. The masterplan also builds upon a wide-reaching programme of pubic estate rationalisation across the whole of West Suffolk under the auspices of the One Public Estate Programme. This Programme has not only sought to improve the quality and efficiency of public services through a range of hub projects in all six towns in West Suffolk, but also looks to release surplus public land to create new homes and jobs. The WWD itself will serve not just Bury St Edmunds but a large surrounding catchment, and it will complement other facilities within Bury St Edmunds and in the rest of West Suffolk.

4. For clarification, other than in relation to the new shared advice centre, the Council's own staff will be remaining in West Suffolk House. However, one of the many benefits of the WWD is that the Council will be able to take part in all of the system integration opportunities offered by the new facilities due to its proximity.

5. Also in 2016, the Council decided that its preferred model for taking forward the WWD scheme, having carefully considered all the alternatives, was for the Council to act as lead developer itself. This would ensure that the land came forward for development in a coordinated manner, and that the maximum public benefits were achieved. Accordingly, the Council acquired some additional landholdings in the area to make a single scheme possible and approved work on a business case. Work on this business case has involved the whole of the public sector, and partners and central government have contributed financially to the work.

6. The work on the WWD was also expanded to include a review into the future of the Bury St Edmunds Leisure Centre. This ageing asset will need considerable investment to keep it running in the coming decade and will need complete replacement in the next 20 years.

7. In October 2018, through an Outline Business Case (OBC), the Council agreed the strategic case for the WWD, including the replacement of the Leisure Centre as an integrated part of the new PSV building. Benefits, in keeping with the aims of the national One Public Estate Programme, would be:

- Savings in property running costs
- More integrated and efficient public services
- Capital receipts from vacated sites
- New homes and jobs for West Suffolk.

As well as these considerable benefits of the scheme in its own right, including significant numbers of new jobs, the WWD scheme also offers the potential to unlock additional investment in public services. This applies particularly to the NHS estate. For this reason, and to maximise the benefit of the integration between health and leisure through co-location of facilities, the NHS has been actively involved in developing this Final Business Case (FBC). As have West Suffolk College, the police and other partners.

8. The Council was also conscious that there is no 'do nothing' option for the WWD insofar as:

- the Council has already committed to deliver the masterplan for the site to achieve wide strategic objectives;
- the Council's depot buildings will be vacant from 2020 onwards with significant holding costs;
- the Council's leisure centre will require substantial maintenance and significant refurbishment within the next 10 years, with replacement in 20 years;
- neighbouring sites to WWD will come forward irrespectively but with less scope for a coordinated and integrated solution. There is a possibility they will also limit the potential and value of the WWD site (for instance, absorbing available highway capacity); and
- partner organisations will similarly have to make property decisions in the coming years.

9. The adopted OBC also included a financial framework for delivering the scheme and an options appraisal for the preferred development model. The model chosen was the retention of the existing frame and concrete pad of the depot. As well as being very flexible for any initial and future uses, this development model was selected for its cost, environmental and phasing efficiency. For this reason, work since the OBC, has only focused on the preferred model.

10. Final delivery of the WWD scheme is subject to approval of this FBC. The work on this FBC that has taken place over the last 10 months has included refining the design and cost plan, carrying out extensive survey work, including a detailed transport assessment, and obtaining advice on procurement and programme. Pre-application consultations with the planning and highway authorities and further public consultation has taken place. The public sector partners interested in occupying the scheme have been closely involved in this work, and have part-funded it.

11. What this FBC shows is that, having now been tested with more detailed design and cost appraisals, the preferred development model from the OBC:

(a) is still appropriate as the basis for a planning application; and in that specific regard

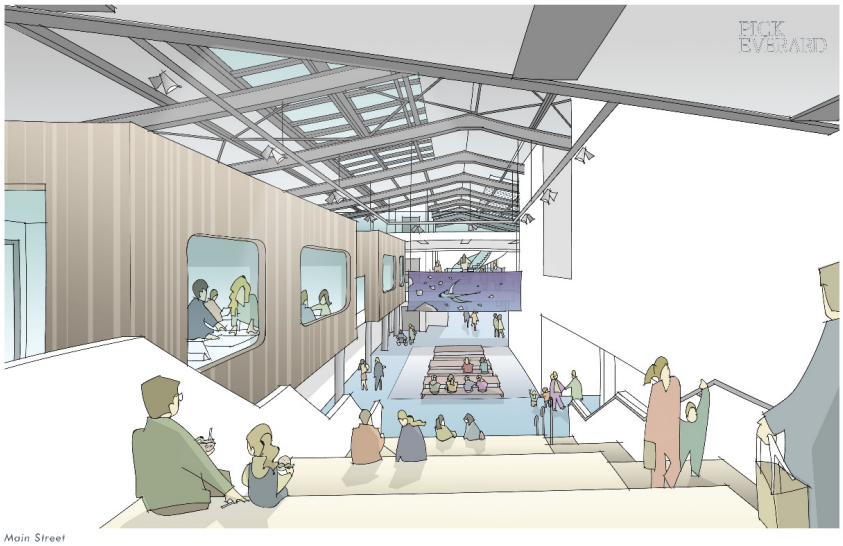
(b) is capable, with junction upgrades and a very robust travel plan, of addressing any issues of highways capacity. In fact, the work on the FBC shows that, while the WWD will increase traffic in the local area, the proposed junction and road improvements will offer an overall improvement in comparison to the queues and delays that would be expected in the future if there were no redevelopment at WWD. This is because lane widening and increased numbers of lanes at these junctions will increase capacity, while converting to roundabouts or signal control will ensure improved traffic flow and an overall decrease in journey delay times. So, in most instances, there is a net benefit from the WWD's new junctions *before the benefits of any new travel plan are taken into account*. The modelling has also been done on the basis of the worst-case traffic scenario, namely the maximum amount of clinical health space possible;

(c) can deliver significant environmental benefits through not just the re-use of the existing building, and the aforementioned travel plan, but also an extensive investment of over £5m in renewable technologies;

(d) remains, from the developer perspective, good value for money in terms of capital costs and is sufficiently flexible to cope with any final mix of facilities on the site, public or private;

(e) allows the frame to be refurbished in a phased manner if required without compromising the core design. Specifically, this means that the 'baseline' and 'target' models envisaged in the OBC are no longer needed, since there is no scenario in which putting the 'dry-side' of the leisure centre within the frame in phase 1 would be recommended. A single target scheme is now all that is needed;

(f) offers, through the nature of its design, a fully-integrated, innovative and collaborative space for the community and public and private sector employers; with separate operational spaces brought together by a central 'Street' of shared facilities (see image below); and



Main Street

(g) is now even more efficient as a design in terms of how it fills the existing frame, due to the better utilisation of the Street area and, with that, an increase in lettable areas. There is now around 2000m2 more internal floorspace in total than was in the 'target' OBC scheme for the frame. This means that there is no longer any trade-off required between public and private uses. This greater floorspace obviously means the total build cost has increased but also that the revenue model has considerably improved.

12. Work on the FBC has also shown that there remains a strong case for providing student accommodation and a pre-school as part of the scheme but also that these two elements, costing up to a total of £13m, would be best taken forward with education partners in parallel to the main WWD project. In fact, they could still be delivered even if the WWD did not proceed. For that reason, if the Council needs to be involved directly in their delivery, separate final business cases will be brought back to councillors at a later date. For the avoidance of any doubt, councillors are, therefore, not being asked to make final decisions on those two elements in this FBC.

13. The FBC also reconfirms, in a separate appendix, the strategic and financial case made in the OBC to replace *and upgrade* Bury St Edmunds' leisure centre to form an integral part of the PSV. The new facility would be an extension of the depot frame, sharing a reception with the PSV and located adjacent to an upgraded skatepark. Including the skatepark extension and a new athletics pavilion, the cost of facility of over 6000m2 would be £27.9m.

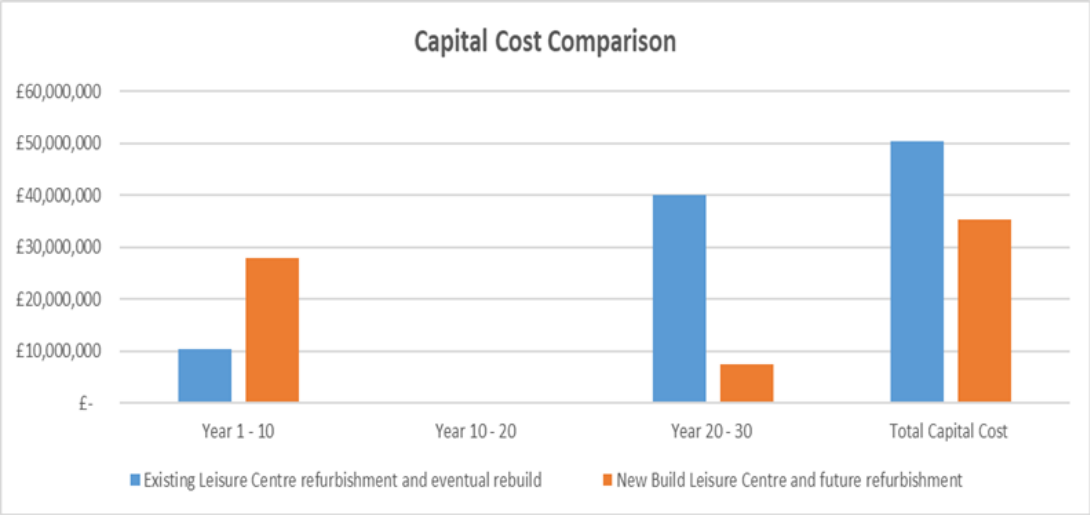
14. The alternative would be to attempt to retain the current leisure centre for a while longer with a short-term investment in new plant, etc, and then fully replace it when further refurbishments are no longer economic. By that time, not only will the cost of replacing the centre have risen due to inflation (and the lost potential for economies of scale from a single WWD scheme) but the WWD site will no longer be available. Meaning not only a lost opportunity to integrate with the PSV but also a potential long closure for the rebuild.

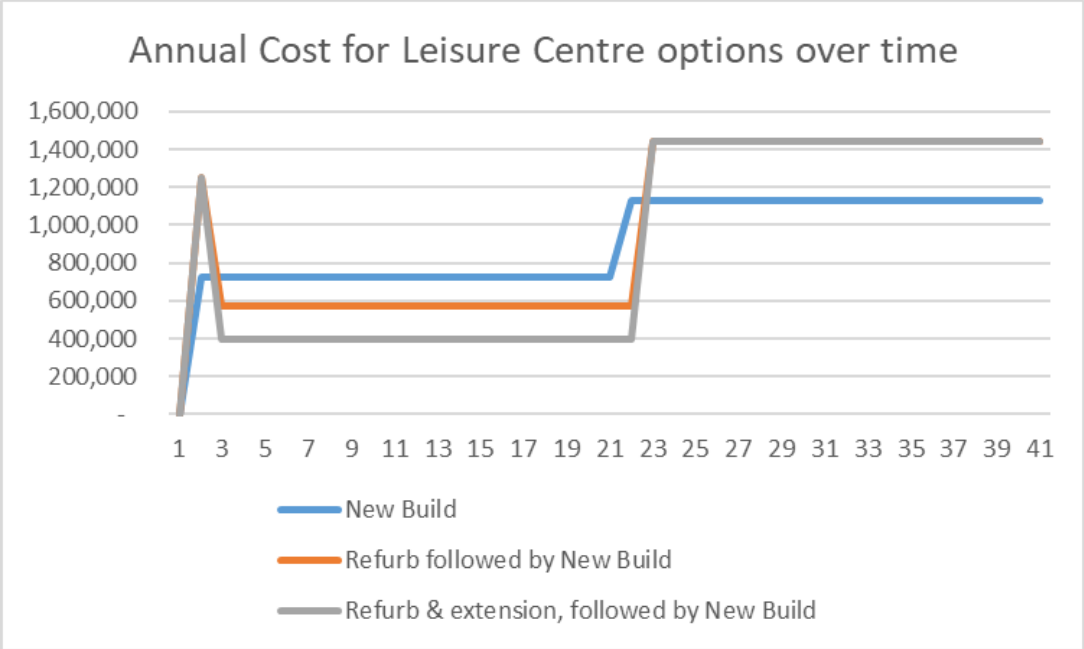
15. Even if the wider benefits of a new improved and integrated facility are ignored, in simple capital terms, choosing to replace the centre now is likely to save taxpayers around £15m over the next 30 years. In revenue terms, while replacing the centre is more costly in the very short-term, if all projected income and expenditure is taken into account, the total net revenue cost over the full borrowing period of 40 years differs by only an average of £10,000 p.a. from the cheapest of the alternative options. As set out in the table below:

16.

Option	**Cost over 40 years £**
New Build	37,050,000
Refurb followed by New Build	40,157,000
Refurb & extension, followed by New Build	36,617,000

This financial case further illustrated in the graphs below.





17. As the decision to replace the leisure centre is a conventional asset management decision the Council must make anyway, it has been separated as a capital and revenue decision from the main WWD scheme in this FBC, and is subject to a separate business case and approval. Furthermore, given that the Council must address this asset management issue regardless of the WWD, the FBC proposes that revenue provision is made in the Council's Medium-term Financial Strategy from 2023/24 onwards in any event. With the recommendation this money is put to the proposed WWD option, given the considerable wider benefits.

18. In terms of the remainder of the PSV, since very little of the facilities would be the Council's own, the investment decision of the Council is more one of a developer, albeit under One Public Estate principles and in the context of this being an investment in the local community. It was therefore agreed at the OBC stage that the scheme must be capable of at least breaking even for the taxpayer in 'whole life' terms; balancing the considerable community benefits against a need for prudency.

19. Based on the target design which is set out in this FBC, the total estimated capital cost of refurbishing the depot frame to a predominantly Category A standard of fit-out would be £102.8m, including inflationary allowances and all overheads. This is a cost estimate based on the more detailed design and has undergone extensive value engineering. This cost also includes the PSV's share of all of the external work required including parking and highway upgrades. It also includes a large investment in renewable technology and the recovery of the cost of acquiring the depot and car parking sites.

20. As explained above, this cost excludes the cost of the leisure centre, student accommodation and pre-school. Although the split is likely to change in the final scheme, the cost model is currently based on the following space allocations for the new PSV building which reflect discussions with partners and external advice:

Activity	**Exclusive internal area for activity (m^2)**	**Total space required for activity including shared facilities and circulation space (m2)**
Advice Centre	841	**1171**
Health Clinical	4239	**5661**
Health Office Space	3505	**4885**
Café & Kitchen (Main Street)	559	**646**
Other Public Sector Offices	913	**1174**
Energy Centre & Roof Plant Decks	334	**334**
Conference Rooms	305	**360**
Commercial Office Space	5279	**7587**
Commercial Office Space Stores	130	**130**
Central Office Spaces (2nd Floor)	690	**965**
Central Office Spaces Stores (2nd Floor)	177	**177**
Ancillary Spaces (Council)	298	**536**
Print & Post	136	**157**
	Total floorspace	**23,783 m2**

21. As the WWD design concept only allows for office space on the upper floors of the hub, the above indicative model is likely to represent the maximum potential extent of the more costly clinical health space in the WWD. The

Council's commercial advisers have also reviewed their original market appraisal for the FBC and confirmed that around 6000m2 of commercial B1 space to let continues to be a realistic long-term provision. Therefore, the above allocations can be used both to derive an upper limit to the capital budget which is included in the FBC recommendations (£112m), and to seek a planning consent. This is because the mix of uses above represents not only the maximum extent of internal floorspace but also the worst-case cost and traffic scenario (clinical health uses will generate the most vehicle movements at peak hours). Changes to the balance of uses and internal layout can then be made after planning consent if required, within these upper limits.

22. At the time of the OBC, there was a £1.5m funding gap in the annual revenue costs of the project which had to be closed by the time of this FBC. After all of the work to prepare this FBC, the table below shows that this is likely to have been achieved; the estimated revenue position of the scheme if fully let out appears capable of delivering the required break-even position.

Annual Revenue Implications	**£**
Annual Income	4,916,343
Annual Expenditure before Borrowing Costs	(376,916)
Borrowing Costs	(4,511,193)
Surplus / (Deficit) after Borrowing Costs	**28,235**

This reduction in the funding gap has been achieved despite the overall increase in cost due to there being more floorspace and a truer reflection of all associated costs. It has been achieved in the following ways:

23. (a) Car parking – the amount of surface car parking has been maximised and the very limited decked car parking now required will be of a cheaper, basic construction method, allowing it to be removed in the future if needed. The revenue model now also assumes an income from every parking space in accordance with the new travel plan.

(b) Maximising the amount of rented space – as previously explained this has been increased considerably in terms of total area, but also the financial model has been refined so that the rental income for each operational element covers its share of the central facilities in the building. This approach gives the true cost of each element to the developer and enables the OPE principle of full cost-recovery to be built into conversations with partners.

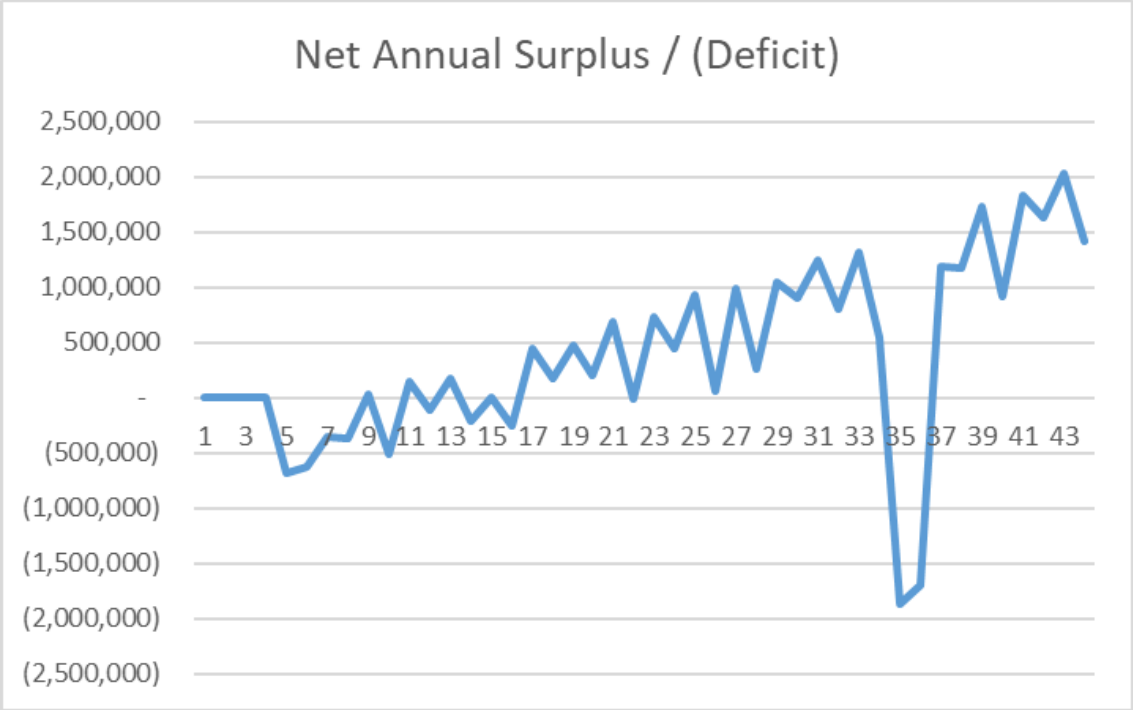
(c) Assumed rent levels – these have been tested and refined through a new market appraisal based on the updated scheme and discussions with partners.

(d) Renewable energy – a very prudent estimate of the financial benefit of the renewable energy investment is over £400,000 p.a.

24. Although extremely positive conversations have been held with potential funders, it is too early in the life of the project to obtain external funding since a planning consent and certainty of delivery are usually prerequisites for this. Similarly, other partners will need to sign off their own business cases before

knowing if they have to capital of their own to invest in return for lower rents. Therefore, this FBC has been prepared on the pessimistic assumption that the Council has to borrow 100% of the required capital, and then seek to recover it all through income. Which it shows is possible. Actually, such a pessimistic approach actually assists in making an objective developer appraisal about whether to proceed to at least the planning stage. It avoids any optimism bias, and it means that any external funding received will only improve the resilience of the model. *However, it remains the case that the full pace and potential of the scheme is only likely to be realised with external funding, and there is a high confidence this will occur.*

25. The FBC also shows that, if the cost of borrowing is fixed, but income from rents increases over time, the net revenue position over the life of the project is positive (see chart below). However, the Council will need to manage cashflow implications in the early years of the project before it is fully let, and then the ongoing risk of voids at the end of tenancy periods and/or large refurbishment costs (shown as dips in the chart, with the large dip relating to the health facility). A focus of discussions with prospective tenants and external funders prior to the final gateway review (see 27(b) below) will be how this cashflow situation will be managed.



26. The baseline revenue model has also been prepared using some other prudent assumptions, for instance a conventional means of borrowing, and a rate of interest which is higher than the current Public Works Loans Board rate (emphasising the importance of locking in a borrowing rate and minimising inflation by maintaining the current pace on the scheme). The sensitivity analysis in the financial section of the FBC shows how this and other assumptions affect the baseline model.

27. There are multiple other safeguards built into the FBC and the recommendations within it, namely:

(a) The FBC shows that the core design of the scheme is very flexible allowing it to be delivered in phases if required.

(b) While a maximum developer budget is identified in this FBC, it is only recommended that the funds required to obtain planning consent are released now, pending a final external 'gateway' review before the end of 2019. This gateway review will ensure that the Council has the necessary legal assurances from partners. It will also examine:

- Whether the final Council budget will be within the limits approved under this FBC;
- the latest position regarding external funding;
- a review of project risks;
- the Council's approach to borrowing;
- the Council's approach to the management of cash flow risk;
- its precise role as developer; and
- the phasing of the proposed scheme.

(c) Only when the gateway review is signed off by Cabinet will the irrecoverable cost of tendering the project begin. If Cabinet wishes to increase the project budget approved in this FBC a further report to Council will be required. If the gateway review is not satisfactory, the Council will have the option to dispose of some or all of its vacant land with the benefit of planning consent, so work up until this point will not have been wasted.

(d) If planning consent is being sought, applications for external funding can start to be made.

(e) The proposal is to procure the main works through a defined framework and in such a way that the scheme can be phased if needed to limit cost exposure (for instance only building commercial office spaces to shell and core until it is known they are likely to be required).

(f) If the FBC is approved, formal marketing of the site to commercial, additional public sector tenants and potential joint investors can begin.

28. For these reasons, it is proposed in the FBC that the Council confirms the 2018 OBC and agrees to deliver the WWD project.

B. The Strategic Case

(Why are we doing it and what are we trying to achieve?)

1. Background to Strategic Case

Outline Business Case

1.1. As one of the predecessor authorities of West Suffolk Council, St Edmundsbury Borough Council approved the Outline Business Case (OBC) for the Western Way Development (WWD) in October 2018. That OBC contained extensive information about the strategic case for the scheme and can be read in conjunction with this FBC. As such, since this strategic case has already been accepted and agreed, this information is only summarised and updated in this Final Business Case (FBC). The OBC, with the original strategic case, can be found at www.westsuffolk.gov.uk/wwd.

What is the Western Way Development (WWD)?

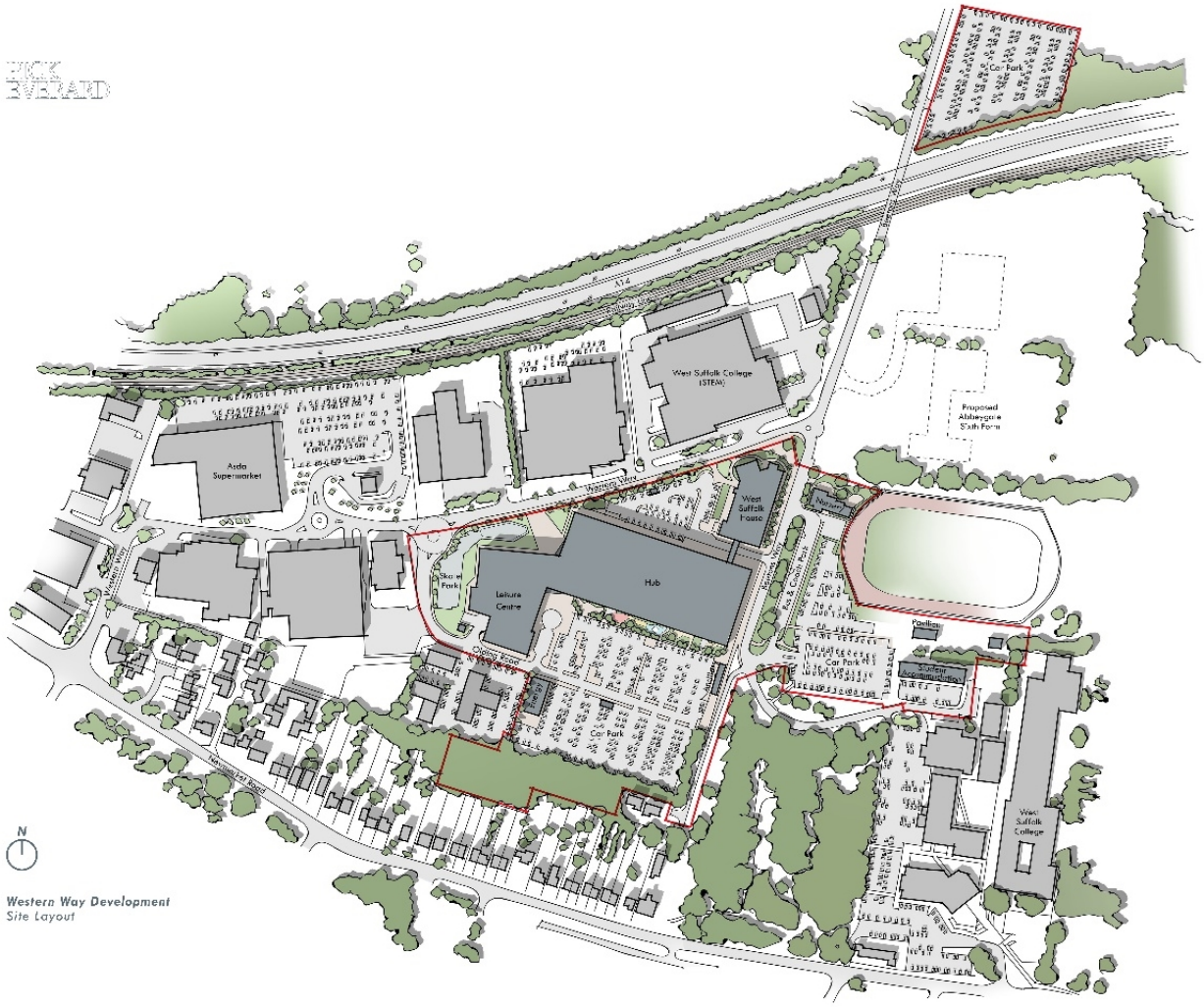
1.2. This is the FBC for developing local authority land at Western Way to create a Public Service Village (PSV) and new employment space. The specific arguments for replacing the leisure centre are contained in Appendix 1.

1.3. This FBC refers to the sites outlined in red overleaf.

1.4. The WWD is a mixed-use scheme of public and private sector uses, as envisaged in the adopted 2016 masterplan and ratified in the 2018 Outline Business Case (OBC). It is an adopted project in the Government and Local Government Association's One Public Estate (OPE) Programme and has been awarded funding from both OPE and Suffolk Public Sector's Transformation Challenge Award (TCA).

1.5. In terms of public and voluntary sector uses, although this FBC does not, in itself, commit them to take part in delivery of the project, the exploration of the viability of the WWD currently has involved (to varying degrees) the following partners as well as West Suffolk Council:

- Abbeycroft Leisure
- Central government
- Citizens' Advice Bureau
- New Anglia Local Enterprise Partnership
- National Health Service (through the West Suffolk Alliance)
- Police & Crime Commissioner for Suffolk/Suffolk Constabulary
- Sport England
- Suffolk County Council
- West Suffolk College.



1.6. The above partners have agreed the following aims and objectives for the WWD:

(a) Once in a generation multi-agency development opportunity to co-locate organisations such as leisure, health, education, councils, police, government departments as well as opportunities for residential, commercial and parking development.

(b) Links to education and skills, as well between public services.

(c) Create 'one front door' for accessing public services.

(d) Strengthen existing links between services and forge new ones – allowing new freedoms to work in a more collaborative, co-ordinated and planned way to face challenges and deliver better outcomes – supporting healthier, safer, fitter, better skilled communities with more opportunities.

(e) Innovative space creation - more than a collection of buildings.

(f) A One Public Estate basis (as also championed in the Naylor Review) for the development of assets owned by public body partners; using these principles to maximise potential benefits for partners and communities.

(g) Sharing purpose built and flexible facilities wherever possible, allowing partners to move from current expensive and not fit for purpose sites.

(h) Redevelopment of vacated sites to not only bring financial benefit but meet housing and commercial needs, as well as increasing vibrancy and prosperity of the area.

1.7. A frequent question asked is how the Council can be certain that its partners are equally committed to the project? The answer is that the police, health partners and College have all jointly funded work on this FBC, and committed extensive staff time to the project. The have also all signed a Memorandum of Understanding to cover their input to the business case process. The commitment they will be asked to make at the next stage of the project if this FBC is approved is set out in a later section.

1.8. Although the project will inevitably evolve, the Council is currently working with partners to explore the following PSV model; a model which will be fully integrated with the existing services at West Suffolk House:

- community health services
- public sector offices, including an integrated advice centre
- a complete replacement and upgrade of Bury St Edmunds Leisure Centre
- student accommodation and integration of vocational education opportunities in all aspects of the WWD
- car parking[1] and public transport facilities, with extensive travel plan
- enabling Road infrastructure and services/utilities reinforcements.

1.9. In addition to the above, the following supporting and ancillary facilities are also being modelled for retention or inclusion in the project:

- Extensive commercial B1 office space.
- Pre-school
- renewables and sustainable energy strategy
- catering provision
- conference facilities
- integration and upgrade of existing Skatepark.

2. Strategic Needs

2.1. As mentioned previously, the strategic case for the WWD was made extensively and approved in the 2018 OBC and, therefore, is not repeated in this FBC in any detail. In summary, the case is that:

(a) The depot site will be vacated in 2020 and will require regeneration in any event and the Council would have significant holding costs such as business rates.

(b) By directing or directly delivering the redevelopment of the site, the Council will be able to achieve its strategic objectives but also ensure that

[1] The aim will be to include only enough parking in the WWD for the planned uses, and to keep this to the permitted levels in planning policy through an effective travel plan. Even so, it is worth highlighting that this will predominantly be a weekday requirement meaning that there will a significant number of spaces available at weekends to support peak demand in Bury St Edmunds.

it is done in a coordinated way which links to wider plans for the town, mitigates transport impacts and delivers the Council's commitment to tackling climate change.

(c) Similarly, the Council's leisure centre requires significant investment due to its age and will require complete replacement within the next two decades even with that short-term investment. It also requires more capacity to serve a growing area.

(d) There is an adopted masterplan under the Local Plan to regenerate the site to create the second phase of the Public Service Village and new employment space.

(e) The site offers a once in a generation opportunity to invest significantly in an upgrade and rationalisation of community health facilities, and their integration with other public services and leisure facilities.

(f) The proposed scheme will be a national exemplar for vocational education and create opportunities to invest in the local skills agenda and development of the College (including by offering the first bespoke student accommodation in West Suffolk).

(g) The Public Service Village concept offers the chance to transform the way that public services are delivered; more joined up in terms of accessibility and delivery, and more efficient for the taxpayer in terms of running costs.

(h) The proposed hub building offers a flexible space for the community to be active, without constraining how that community-led activity then evolves in the future.

(i) The new employment space will create high-quality new jobs, with the potential to link to the College and offer spaces to nurture local enterprise.

(j) The brownfield sites vacated by public services will be available for regeneration, with some already earmarked in the local plan for much-needed housing.

(k) Similarly, relocating public services to the site creates the opportunity to rationalise and regenerate the existing public estate.

3. Spending Objectives

3.1. Due to the cost of the potentially abortive work involved, deciding to go to the next stage of the project must be on the basis that it is going to be deliverable, in practical and financial terms. Therefore, the key question for the Council as developer is whether this is a sound investment in any foreseeable scenario that emerges, and that there is a sensible contingency plan to mitigate any changes to the target model? This is all explored in the later sections of the FBC.

3.2. In terms of the eventual capital cost, the Council cannot subsidise the project due to its own current and future financial pressures, and the project must take into account the existing medium-term financial strategy (MTFS). Therefore, excluding the leisure centre (which would be a conventional asset management decision for a local authority), the WWD must be a break-even scheme over the whole life of the project (allowing for some negative cash-flow in the first few years). It will be delivered using normal OPE principles, but also have the ability for some elements to cross-subsidise others if required. In view of the benefits that might be achieved (see below), a break-even scheme for the taxpayer does still represent a considerable return on any investment.

3.3. The financial model for WWD in this FBC should reflect that target position. This means that, while it may cap its own potential spending, the Council would not need to commit to a specific capital budget or revenue target in the FBC (which would be impossible given how it will evolve) but, instead, show that the scheme is capable of achieving a break-even position in multiple scenarios, including worst-case. The Cabinet and officers would then have authority to amend the budget thereafter within the defined parameters contained in the Financial Case of this FBC. This is how the Mildenhall Hub project proceeded.

3.4. Regarding third parties, the Council does not need to change its adopted position in the OBC that the financial involvement of other public sector partners would be in accordance with well-tested OPE objectives, as with the Mildenhall Hub project. Namely that partners can choose from a range of tenure options to suit their needs under the principles of full cost recovery/sharing. As these were approved in the OBC, they are not repeated in this FBC.

4. Existing Arrangements

4.1. In general terms, the WWD site can be divided into seven distinct elements:

(a) West Suffolk House – built in 2009, this is a high-performing shared office building, which is at maximum capacity in terms of its office space and meeting rooms. The design of the building, and in particular its natural ventilation, means that any adaptation must be treated carefully. However, there is scope to extend the building and/or link it to new buildings on the WWD. The flexibility of the building also means that there is scope to change who occupies it – it is already shared by councils, NHS and EELGA. Furthermore, if additional public buildings are added to the WWD, there would be scope to review their shared infrastructure with West Suffolk House. The building is jointly owned by WSC and SCC. *Other than in relation to the provision of public advice there is currently no plan to move WSC's offices out of West Suffolk House.*

(b) Council depot – part of the former industrial building, this operational space, with large amounts of parking and external storage, is shortly to be vacated when the West Suffolk Operational Hub opens. It is owned by WSC.

(c) NHS Logistical Building – owned by WSC and leased to Unipart. Unipart have recently announced their intention to relocate to Suffolk Business Park, and so we believe this building will also be vacated well before any works on site for WWD will be required.

(d) Olding Road Car Park – owned by WSC. This 338 space car park is reserved for staff at West Suffolk House during the day, but is available from 3.30pm and at weekends for public use.

(e) Bury St Edmunds Skatepark – owned and managed by WSC, with support from a local charity formed by users (Bury St Edmunds Skatepark Experience). The skatepark has been upgraded in the last ten years, with external match-funding, and is very well used. Adaptations to the park will be required for WWD but, working with the users, the proposal in this FBC is to extend and upgrade the facility as a completely integral part of the scheme.

(f) Bury St Edmunds Leisure Centre and Athletics Track – land owned by SCC but subject to a 99 year lease to WSC (starting in 1975). A large facility, last refurbished around ten years ago, with the likelihood that a full replacement will be needed in the next ten. This element is examined in more detail in Appendix 1. This site includes the leisure centre car park.

(g) Beetons Way Site (formerly Warehouse Clearance store) – acquired by WSC. Currently in temporary storage use but existing buildings will require redevelopment at some point. The plans in this FBC assume that, subject to planning consent, it will provide surface staff car parking for the WWD; to assist in reducing the capital cost of decked car parks but also to reduce car movements through the Beetons Way junction (since it will be prioritised for staff arriving from the north of the site). Use as only a surface car park also protects the long-term value of the asset; if car parking demand for the WWD can be reduced over time, other redevelopment options will be possible.

4.2. The site is also immediately adjacent to other key public landholdings:

(a) West Suffolk College campus (including Copse), which is subject to its own masterplan. The College also owns a facility off Anglian Lane.

(b) the site of the new Abbeygate Sixth Form College.

(c) West Suffolk College's STEM centre, Western Way.

4.3. Potential space requirements of partners in the target PSV model reflect their analysis of current and future operations. The flexibility of the preferred option means that these can continue to evolve up until the point of occupation, and beyond. West Suffolk House, for instance, has been reorganised several times since 2009 as partner needs have changed. However, it is worth noting that, for the purposes of the PSV project that West Suffolk House is currently at its maximum level of occupation.

4.4. In terms of the existing arrangements of other partners, clearly this will depend on the final list of organisations which take part. Nonetheless, from

the above list of those involved in exploring the PSV, it can be seen that there will be several existing sites elsewhere in the town vacated by the project, allowing them to be redeveloped to create new homes and/or jobs and generate inward investment. Some of these sites may also be used by partners to generate capital and/or revenue receipts to contribute to the project itself, albeit not all are in local control or public ownership. The existing MOUs with partners for the WWD project require the partners to discuss the most advantageous means of redeveloping this sites for the local community under the OPE principles before disposal which may result in the Council being offered first refusal to acquire them for regeneration at market value. However, approval of this FBC is not dependent on any decision regarding the vacated sites as these will be taken later and on their own merits.

4.5. As can be seen, the total site therefore has considerable potential for regeneration and integration of public services and is about to undergo significant change.

5. Business needs – current and future

5.1. Some of the information on the PSV concept, including design and occupation principles, contained in the adopted OBC is not repeated here because it is now incorporated into the actual proposal being considered in the FBC.

General Considerations

5.2. In general terms, the Council as landowner has a business need to determine the future use of its own depot site and the NHS logistics depot from the early 2020s. As a planning authority, and in its economic development role, the Council will also want to see the adopted masterplan delivered. This delivery needs to be coordinated with growth in the local area and rest of the town and in accordance with the Council's wider policy objectives for families and communities and for tackling climate change.

5.3. The Council is relocating its own depot operations off-site to the West Suffolk Operational Hub. It is also already located on the WWD at West Suffolk House, where it will remain. This FBC does not change the adopted office accommodation plan which splits the Council's two largest office and customer access operations between Bury St Edmunds and Mildenhall, with other customer facilities in Haverhill, Newmarket and Brandon. As such, the WWD project is <u>not</u> filling any service gap in terms of the Council's own services, other than a desire to link them much more closely to other public services.

5.4. The current and future business needs in respect of the leisure centre are examined in Appendix 1.

PSV Considerations

5.5. In terms of the PSV concept, and this being the target outcome for the scheme, the facilities listed above as being in the scope of the project reflect the current and future operational needs of the partners and local economy, as far as they are known at September 2019. These will continue to evolve before the scheme is delivered, for instance as the outcome of the NHS

business case process is known. A strong challenge to individual partner requirements will also be provided collectively by the partners to ensure that the maximum amount of sharing of operational and support facilities takes place. In the last stage of the project, this approach has already yielded considerable efficiencies and opportunities for new ways of working.

5.6. Furthermore, predicting the organisational structure and future needs of the public sector is quite hard, as change is constant for a variety of reasons outside of the Council's control. In this regard, a main feature of the design will be flexibility in terms of what is built in phase 1, and also the scope to extend the PSV elements in the future if the community requires this. In simple terms, technically it would only be any swimming pool(s) built in phase 1 which would have to be fixed items going forward. A strength of the preferred model is that it allows this potential flexibility. However, getting elements 'right first time' would be beneficial, and this may dictate the initial locations of some partners, along with specific operational requirements. Similarly, a hard-nosed approach will be needed in terms of ensuring that commercial office space takes a location which generates the most rent for the wider scheme.

6. Benefits Criteria

6.1. The SMART target from the OBC still applies in terms of an overarching objective. Namely, to have a fully developed WWD scheme, with planning consent, ready to implement in 2021, after the West Suffolk Operational Hub (WSOH) opens. This will enable the Council to deliver the adopted 2016 masterplan, and the maximum benefits, in the most cost-effective and timely manner. This target will drive the timetable for the next stages of the project.

6.2. The benefits of the WWD project can still usefully be measured using the objectives of the national One Public Estate programme which, via rationalisation of publicly owned land, are to:

- improve the delivery and integration of effective and efficient public services;
- create new homes and jobs (in the case of the WWD, this will be directly and indirectly given its potential to allow other sites to be vacated); and
- generate income in the form of revenue and capital.

6.3. These benefits criteria were examined in the OBC, and this is not repeated. However, they can be broken down and summarised as:

(a) Improved accessibility to services.

(b) The standard of facilities has improved but the comparative cost of running them has at least stayed the same i.e. taxpayers get more for their money. Evidence from West Suffolk House and other leisure centre projects suggests that over £1m a year should be feasible.

(c) Improved environmental performance compared to predecessor buildings (see Appendix 2).

(d) Improved public services, measured through the performance of the partners in tackling their individual and shared priorities, and also through general indicators of economic and community wellbeing.

(e) More integrated and better coordinated public, voluntary and private services, demonstrated not just by reduced operational costs but by the implementation of new ways of working, and better outcomes for local people and businesses.

(f) Supports Families and Communities.

(g) Supports the Skills Agenda in West Suffolk, directly through opportunities for learning and the creation of up to 150 units of student accommodation (subject to a separate business case).

(h) The creation of new jobs and apprenticeships on the site itself, but also on any sites vacated by partners moving to the WWD. By normal ratios of jobs per m2 or per new homes, this could be 100 jobs per 1000m2 of commercial office space plus over 200 new jobs in terms of ancillary services (catering, facilities management, construction, etc).

(i) The creation of new homes on any sites vacated by partners moving to the WWD (as well the creation of new student accommodation on the site). In relation to the target model of the PSV, there could potentially be around three hectares of land released for housing in the town (creating space for over 90 homes at normal densities).

(j) Generates inward investment to West Suffolk.

(k) Provides capital receipts for other partners to re-invest in this or other projects (to be confirmed later depending on decisions of partners but could exceed £5m).

6.4. Appendix 1 examines additional benefits criteria for the replacement of the leisure centre.

7. Innovation

7.1. The Council's requirement for acting as developer will be at least a break-even scheme over the whole life of the project, allowing for the management of cash flow risk. It cannot afford anything else on behalf of taxpayers. Nor can any of the partners afford to increase their current property costs (pro-rata). However this is actually helpful to the deliverability of the project, since it will ensure that whatever comes forward is affordable. To do this, commercial elements will have to be maximised by innovative sharing arrangements between the public partners and of the central infrastructure of the building.

7.2. West Suffolk partners have demonstrated through multiple projects (starting with West Suffolk House and currently including the West Suffolk Operational

Hub and Mildenhall Hub) that they are prepared to take on the challenges and risks of delivering hub projects that are national exemplars and maximise OPE benefits. In the case of Mildenhall, the co-location with the school is ground-breaking in terms of the scale and range of services included over and above conventional dual-use and community access models. The approach to funding and tenure models at Mildenhall is also innovative, and these are to be replicated in the WWD.

7.3. The WWD is another step-change nationally in terms of hubs and creating public sector 'villages' or 'quarters', particularly for a medium-sized market town in a semi-rural area. The range of services co-located immediately in the PSV or on its adjacent sites, is considerable, offering the scope for integrating service delivery across virtually the entire range of front-line public services. This will be integrated, via shared spaces, with commercial space for up to 1000 private sector jobs, and strong links to further and higher education, allowing cross-sector collaboration. Many of the support services for the WWD can also be linked to vocational training at the College.

7.4. While not highly innovative in a technical sense, the design model for the PSV is bold, efficient and green. Namely, re-using a large existing steel frame and concrete pad to shorten delivery time, assist on phasing, save money and achieve environmental benefits. A large part of the investment in this building will also be in an energy centre to provide and ideally store most of the heat and power the site needs. The building itself will be managed using a Building information modelling (BIM) system. More information is provided in Appendix 2.

7.5. The decision to re-use the frame to create a single new building for the PSV means that it will be truly integrated; driving not only space efficiency but creating new opportunities to work differently. The key component of this innovation will be the central 'Street' (see design statement).

7.6. Another potential area of innovation will be the linking of the WWD masterplan to the West Suffolk College masterplan, and jointly coordinating the future development of the two sets of landholdings, as one entity, including the scope to have a single transport plan.

7.7. The Council can also continue to look at delivery models in terms of who acts as developer and how the construction contract is procured, given the size of the contract. This may include offering smaller parts of the scheme to small and medium sized builders e.g. the athletics pavilion, pre-school and car parks. The student accommodation in particular would require a specialist delivery model.

7.8. There is also scope for a modern method of construction to be used on the pre-school, pavilion and student accommodation; to improve efficiency, delivery time and environmental credentials. These buildings can also link to a district heating system and renewable strategy for the overall WWD scheme. A key part of any scheme will also be ensuring that the student accommodation is used all year round, potentially linked out of term time to conferences, sporting events and even training at the WWD itself.

7.9. Finally, it is important to see the WWD in terms of releasing sites in Bury St Edmunds for development. The applicable partners have all agreed that a key part of the project will be identifying the means of developing these sites which maximises their value to be reinvested back in public services. This points to exploring different models which generate capital and revenue.

8. Strategic risks

8.1. Project delivery risks are covered in later parts and Appendix 3 of this FBC. Strategically, the main risk is the non-delivery of the objectives already explained above, and in Appendix 1. This risk is mitigated by the detailed and evidence-based approach being taken to the project. External funding/investment will also be sought.

8.2. There is also the risk that expenditure on the project, to date and in the next phase, is abortive. This risk is mitigated by ensuring that a focus is maintained on deliverability, and also that, prior to committing contractually to build the scheme, the work carried out continues to add value to the site (which a flexible masterplan-compliant scheme with planning consent would do). There is also mitigation proposed in relation to the commitments needed from partners, which is explained later in this FBC.

8.3. The preferred model of development for the site is specifically intended to:

- be pragmatic in terms of what can be afforded and delivered in phase 1 of any scheme;
- deliver the Council's environmental objectives;
- offer an alternative use and/or exit strategy for most elements, providing complete flexibility before and even during phase 1;
- leave room to grow or evolve the WWD in later phases;
- be coordinated with the plans of neighbours; and
- maximise elements of the scheme capable of providing cross-subsidy.

8.4. A key safeguard to the project to date, and going forward, has been pausing at key stages to seek support through the democratic process. Hence this FBC. As further mitigation, it was agreed at the OBC stage that, as well as the due diligence it will receive from councillors and partner organisations, an external gateway review is needed. This is explained in later sections and the covering report for this FBC.

8.5. Although alternative options were examined and rejected at the OBC stage (and are therefore not examined again in the FBC), there is nonetheless a strategic risk in terms of the *opportunity* costs of pursuing the scheme. For instance, passing up a capital receipt from selling the site(s) and how the scheme sits within the Council's overall investment portfolio, thereby influencing future investment decisions. Clearly, in accepting the strategic case to pursue the WWD, the Council has previously decided that the benefits of the scheme justify these opportunity costs and, as explained elsewhere in the FBC, there is ample mitigation to ensure this is the case.

9. Constraints and dependencies

General Considerations

9.1. As well as the Council's own approval of a deliverable and affordable scheme, the main constraints and dependencies for the WWD irrespective of use are:

(a) **Transport** – improving transport and access nodes. The 2016 masterplan included a detailed transport study and recommendations regarding changes that would be needed to the highways network, footpaths, cycle ways and public transport to enable the WWD to be deliverable; demonstrating this was feasible. However, it has always been fully recognised that the deliverability of the project, and its credibility with the community and funders, will depend on a satisfactory traffic assessment. For this reason, it was agreed at the OBC stage to commission this study as part of the FBC and this is covered in the next sections of the document.

(b) **Planning** - achieving a scheme that delivers the planning aspirations set within the masterplan, and can satisfy the local planning authority in terms of a high quality and viable scheme. Pre-application advice has been obtained to inform the proposed design in this FBC;

(c) **Commercial Demand** – there will need to be sufficient demand for the new commercial office spaces to rent. This demand is examined in detail in Exempt Appendix 8.

(d) **Affordability** – there will be a need to maximise efficiencies and commercial space through innovative solutions;

(e) **Environmental Performance** – achieving a scheme which meets not only planning policy requirements but also the Council's aspirations to tackle climate change. More detail is provided in Appendix 2;

(f) **Equality Impact Assessment** – see section 10 below.

(g) **Programming and Phasing** – specifically the two depots being vacated, and when, and the phasing requirements of occupiers. In this regard, the decision of the NHS Logistics provider to vacate the depot has been important. The development of other neighbouring sites will also have a bearing. A phasing plan is set out in later sections of this FBC; and

(h) **External funding** – some elements of the PSV will require external funding and this matter is discussed in the later parts of this FBC. The proposed delivery model has also been designed to cope with worst-case scenarios in which no external funding is received.

PSV Considerations

9.2. Constraints and dependencies specific to the leisure centre elements of the project are set out in Appendix 1. In addition to those above for the WWD as a whole, the additional constraints and dependencies for the PSV model are:

1. **Affordability/viability** – the PSV model puts pressure on the financial viability of the project because it carries an opportunity cost. This arises because public services take space that could, otherwise, be developed more cheaply and/or allocated to commercial uses. Therefore, there will need to be a willingness among public partners to share facilities and costs, and adopt new ways of working, to mitigate this added financial pressure. This is linked in the PSV context to 2 below;

2. **Partner Requirements and Adjacencies -** creating innovative and flexible facilities to minimise the amount of space required by the public sector but also to maximise the opportunities presented by co-location (as at West Suffolk House now and projects like the Mildenhall Hub). The award of OPE and TCA funding is specifically intended to support this design work;

3. **Public sector reform –** The public sector reform agenda and funding pressures may generate strategic changes. These could impact on partners' requirements and their ability/willingness to continue to embrace the integration of service delivery across the public sector through single points of access for linked services;

4. **Adaptability** – the building footprint constrains the project and the services that can be accommodated. However, by 'designing in' expansion opportunities and flexibility, the project is able to adapt to future trends and requirements in the public and private sectors; and

5. **Partner decisions** – like the Council itself, no prospective partners have formally committed to move to WWD. However, many have signed up to take part in (and fund) the business case process. The NHS in particular has invested at risk considerable resources in its own separate business case process, the requirements of which are significant. Others' decisions may not be within local control and/or affected by national processes and timetables. Those decisions will have a key bearing on the shape of phase 1. Specifically, if the whole site is to be used, a scheme will also have to be designed which meets the requirements of Suffolk County Council, since they are joint or sole owners of some of the land involved. However, it is worth noting that a significant scheme is still capable of being delivered on WSC land only.

6. **External funding** – non-availability of external funding needed to address any financial gap could result in the project being unaffordable to all or some of the Partners.

7. **West Suffolk College** – ensuring that the WWD is fully integrated with the College's plans for its own extended campus, to achieve OPE objectives but, more importantly, delivering the wider skills agenda in West Suffolk.

8. **Vacated sites** – The maximum public benefits would be realised if partners work together to regenerate any public sector sites which are vacated as part of the relocation to WWD. Partners are committed to explore this through the agreements entered into for the business case process.

9. **Possible resistance to relocation or change –** Partners will have to follow their own processes for consulting users and staff about potential moves, and manage the outcome of those processes. Similarly, existing occupiers of West Suffolk House will need to be receptive and flexible about the impact of the PSV scheme on their current accommodation.

10. Equality Impact Assessment (EQIA)

10.1. Other partners will need to carry out their own EQIAs as part of decisions to move to the site. An EQIA was carried out by the Council in its own roles for the OBC. The overall picture is that WWD is beneficial for communities, local businesses, jobseekers and most local residents.

10.2. Similar to the Mildenhall Hub, there may be a few local residents who currently live close to the public services due to relocate to Western Way. However, actions will be taken to counteract these implications (e.g. travel plan) so it is not envisaged that a full impact assessment is required in this regard. It is also important to note that the services involved serve a large catchment, in many cases district-wide, and are currently spread across several sites.

10.3. Other benefits of WWD include:

- Co-location of services would be expected to reduce customer journeys overall and all groups would be likely to benefit from associated focus on channel shift for customer services.

- All groups may benefit from improved transport links to the area that are being considered as part of the project. Both the development on Western Way and redevelopment of existing public service sites would create employment opportunities, as well as new enterprise space for local businesses.

- Expected savings to the public purse in the long term.

- The inclusion of student accommodation for West Suffolk College and strong links with other academic institutions means the project is likely to have a positive impact on skills and innovation development in the area

- New community spaces such as a café, closely linked to the health hub, leisure centre and other key public services.

C. Economic Case

(How and why will it work?)

1. Critical Success Factors

1.1. The critical success factors which are explained earlier in the Strategic Case (Part B) and in Appendix 1 for the leisure centre apply equally to the Economic Case.

1.2. The main purpose of this part of the FBC is therefore to explain why the preferred model of development makes most economic sense, and offers best value for money whoever funds the project in full or part going forward. For reasons of brevity, what is contained in the FBC necessarily summarises an extensive and detailed process, and the advice of expert advisers.

1.3. *In relation to the PSV, it is also assumed in the remaining parts of the main FBC that the case for relocating the leisure centre is accepted. Given the magnitude of this decision, the arguments for doing this are contained in a standalone FBC in Appendix 1. If councillors did not wish to agree to this proposal, and leave the leisure centre where it was, it would not prevent adoption of the general FBC for the WWD at this point, since the scheme is flexible enough to be adapted before planning consent is sought. However, it would clearly have an impact on the design and financial models shown in this document.*

2. Development of Options

2.1. The 2018 OBC established why the default position is for some form of development of the WSC owned parts of the WWD, and that there is no 'do nothing' option available to the Council. In very simple terms, doing nothing would mean:

- empty depots with associated significant holding costs such as business rates and security as early as 2020;
- replacement of the leisure centre would have to be confronted as an issue in the next few years, potentially with fewer options to consider (and also the scope for a loss of service during the replacement process);
- the non-delivery of the WWD masterplan and all of its objectives and benefits; and
- neighbouring sites to WWD will come forward irrespectively but with less scope for a coordinated and integrated solution, and the chance they will limit the potential and value of the WWD site (for instance, absorbing available highway capacity).

2.2. In addition, not delivering a PSV option would result in piece-meal and uncoordinated decisions about other parts of the public estate in Bury St Edmunds, undermining the strategic and OPE objectives of the project explained in the previous part of this FBC.

2.3. These issues carry significant financial, strategic and reputational risk. For this reason, this FBC focuses on delivery of the preferred option chosen in the OBC.

2.4. Nonetheless, before examining the economic case for that option, it is helpful to highlight the alternative options which exist for the site if the PSV scheme were to be completely abandoned:

(a) **Retain and lease the existing depot**: There would be an option to seek to lease the existing depot building to single or multiple occupiers in its current form as and when the two elements became vacant. However, this would be contrary to the Council's previous decisions on delivering the masterplans for the site and not achieve the wider outcomes desired by partners. Any new occupiers would also be likely to want their rent levels to reflect the considerable cost of converting or upgrading the buildings.

(b) **Sell the depot site (excluding skatepark):** Similarly, the site could be sold when fully vacated, which may have been the traditional approach. Pursuing this option would result in a one-off capital receipt but also a loss of control of the site (creating a large strategic risk) including the risk that the current depot was retained and not regenerated. Also, while a purchaser could choose to develop in accordance with the masterplan, it is unlikely that the full range of benefits which that document envisages would be viable without public investment. The Council has therefore previously discounted options to have no direct role in the development. Nonetheless, in terms of safeguards for the project expenditure, this option does still exist, and the value of the site would still be enhanced by any work carried out to date and in the next stage to meet later planning and infrastructure requirements.

2.5. On the basis of the above, the Council's agreed approach has been to take the lead on determining the manner in which its part of the site should be developed, irrespective of the final delivery vehicle (which could well still involve third parties – see Parts E and G below).

2.6. This FBC does not explain why the preferred development model of re-using and extended the depot frame was chosen. This was covered extensively in the OBC and this information still applies. The advantages and selection of this model are therefore both taken as read, and the focus of the FBC is to demonstrate this chosen model is deliverable through the proposed scheme.

3. Proposed Scheme

3.1. The indicative scheme for consultation is as shown on the site and layout plans contained in Appendix 5 (and in Part B above). This scheme is likely to continue to evolve before the planning application, not least to take into account feedback from the planning authority and local community during the pre-application consultation period (see below). However, through this FBC, the Council is asked to confirm that the core scheme remains its preferred option so that it can move forward to the final stage of design.

3.2. A detailed summary of the design concept and its main features is set out in the design statement attached as Appendix 5. *The limited design information in this business case is in no way representative of the hugely detailed work, supported by multiple studies, which has taken place since last October. That work, while crucial background information to this business case, is primarily intended to support a planning application and will be finalised and published at that time.*

3.3. The design statement naturally looks at the best-case scenario for the PSV scheme in its fullest extent, as this is what the partners hope to deliver and would need to be the basis on which highways consent is sought. However, in determining this business case, councillors need to consider the design as a developer would, and in the most risk-averse fashion. In that context, the key way to look at the design, excluding the leisure centre, is to see it as:

- a cost-effective means of converting an existing steel framed building into a highly flexible and lettable space;
- with a fixed internal infrastructure around which multiple public sector or commercial uses could take place; and which
- can be built out in phases if required to mitigate developer risk.

Seen in that context, the fundamental decision sought in this FBC is permission to finalise and then seek planning consent for this core design.

Environmental Assessment

3.4. An initial environmental (sustainability) statement is attached as Appendix 2, demonstrating the high credentials of the project environmentally. Over £5m is included in the current cost plan for renewable technology alone. Travel issues are discussed in some detail later in this FBC and its appendices. A more detailed assessment will accompany any planning application.

Evolution of building design since OBC

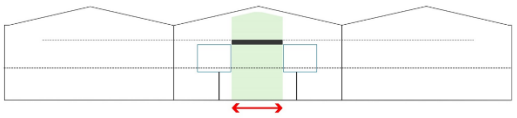
3.5. The scheme is fundamentally the same as the preferred model adopted in 2018 but has been refined considerably to address the funding gap in the scheme and to take on board the needs of partners. This includes an extensive 'value engineering' exercise at the end of the design process which has saved around £6m from the estimated cost plan. The model already benefits from the economies of re-using the steel frame and concrete pad.

3.6. The leisure facility mix has been refined considerably following more evaluation and consultation, and this is explained in more detail in appendices 1 and 5.

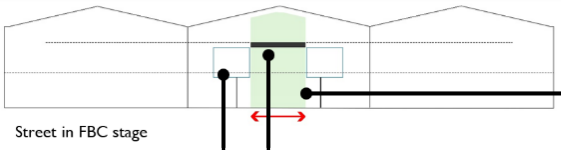
3.7. The evolution of the hub in the depot frame has been considerable. The main change, driven by the need to move from a strong conceptual model to a deliverable scheme, has been to increase considerably the amount of operational space by making better use of 'The Street'; but in such a way that the street concept is still at the core of the scheme. The diagrams below show how this has been done. The result is a significant increase in lettable spaces. This has enabled the move away from the baseline and target scheme approach in the OBC, which is explained later.

OBC proposal for Street

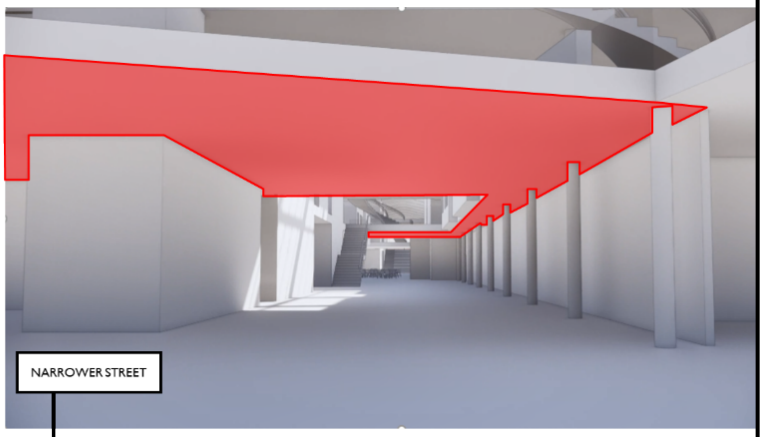
FBC proposal for Street

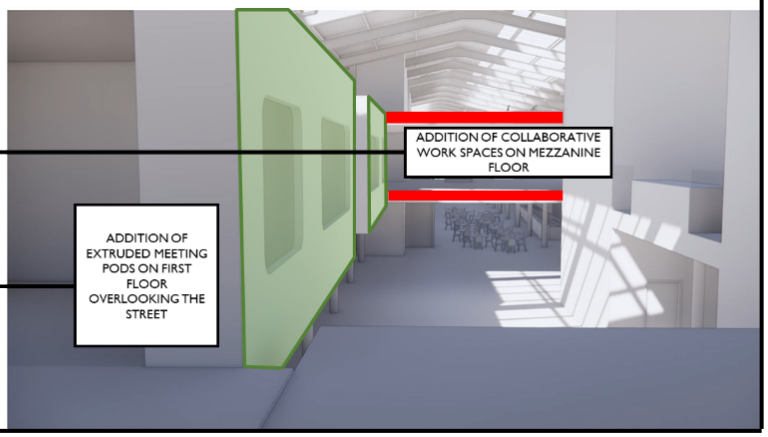


Main changes to configuration of Street since OBC

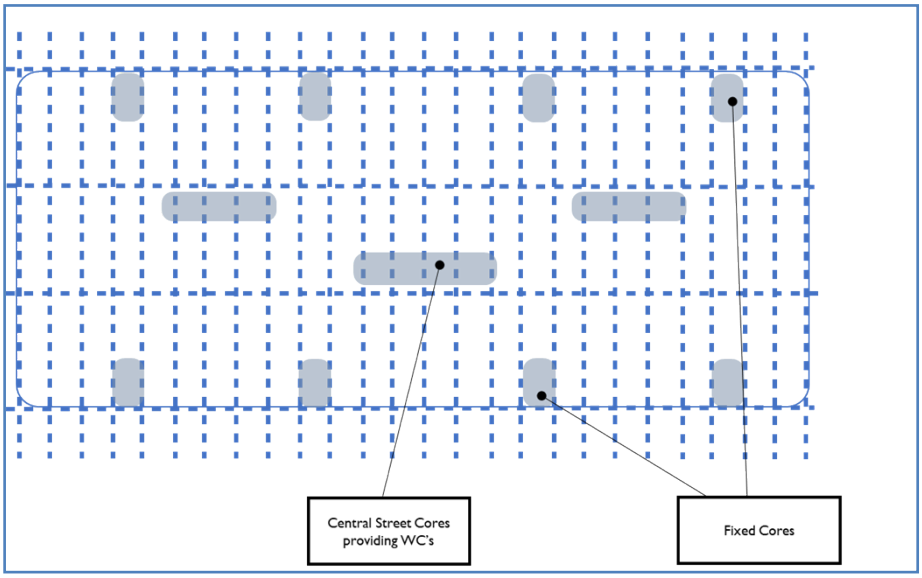


Street in FBC stage





3.8. The concept of having fixed cores in the building has also been refined, as indicated below:



This concept of fixed infrastructure means that there is an incredibly versatile and efficient model for developing the building, with complete vertical and horizontal flexibility for the operational spaces on either side or end of the Street. In terms of letting the building, it means a potential occupier can also choose spaces ranging in size from a few hundred square metres up to several thousand. Advice on how the commercial sector may occupy the building indicates this flexibility will be essential.

3.9. As design work has evolved, even going back to the before the OBC[2], it has also become evident that the positioning of the leisure centre on the western end of the frame is the optimum location and, furthermore, the previous 'baseline' option of locating the 'dry-side' leisure facility in the depot frame is no longer likely to be appropriate. This is because the proposed location of the leisure centre as a self-contained extension:

- allows an optimum design for the new and expanded leisure centre (as opposed to fitting within an existing frame);
- has the prominence on the Western Way frontage required to promote the new facility;
- integrates well with the upgraded skatepark;
- allows the best internal 'PSV' integration with the other services and a single reception area in the main frame;
- maintains the long-term flexibility and income-earning potential of the frame (once it is configured and fitted with specialist leisure elements this use will be 'locked in' without considerable cost and disruption being incurred); and

[2] The 'hybrid' model for the masterplan, which preceded the preferred model saw the leisure centre moved to the western end of the site as well, for many of the same reasons.

- avoids a large re-design exercise and delay in programme (including a new planning application).

3.10. For this reason, there is no longer a baseline and target model for the PSV. The single scheme now being proposed is sufficiently flexible to offer better fall-back options than integrating parts of the leisure centre. These fall-back options are explored later in the FBC to demonstrate this.

3.11. Another change since the OBC is the relocation of the proposed pre-school to a better site next to the leisure centre. This is still close enough for parents working at WWD but avoids the challenges (e.g. safeguarding and finding external play-space) of trying to integrate it in the main frame. This also allows the separate delivery proposal explained later in the FBC.

3.12. Following these changes, and subject to the outcome of the pre-application consultation, the design is now close to being ready for a planning submission. This will not preclude further design evolution to the internal spaces in the next phase; generating even greater integration and efficiency of the public sector elements. However, the work to date shows that the operational requirements of the potential partners can be accommodated (see below) and broad co-location objectives can be met. The spaces being created are also very flexible, allowing for future changes and greater joint working as public services evolve. The design also allows the integration of vocational education with all services, public and private.

Mix and type of proposed new operational accommodation

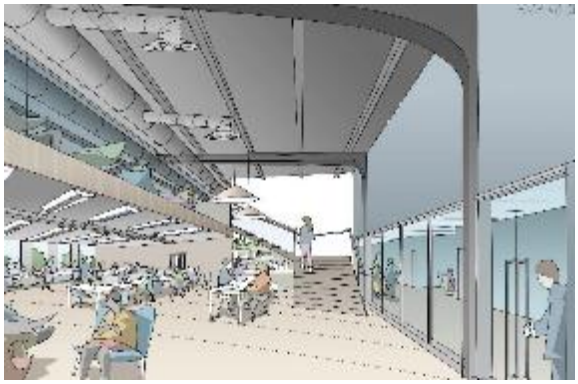
3.13. As mentioned, the design has been chosen to allow the WWD to be as flexible as possible up to and beyond first occupation. Nonetheless, to produce this FBC, and test viability, a **notional** scheme is needed. Accordingly, to aid an understanding of the later financial case (see Part E), and without committing any partners to the model, the following sections of the FBC show how the current scheme is broken down into its component parts for planning and costing purposes. *This analysis excludes the leisure centre, as this is provided in Appendix 1, and the proposed pre-school and student accommodation as these are separate to the main site.*

3.14. Health and Care Facility

Assumed Floorspace (incl. shared areas)	***Operational Requirement***	***Design Solution***
5660 m2 of clinical (GF) 4885 m2 of office (FF and 2F) 1403 m2 of external area *(subject to review)*	The NHS' own OBC process for the WWD is based on it providing a significant amount of shared clinical space for all types of community health care. Plus supporting office accommodation to be integrated with other public services across the new and existing buildings. An external garden area is also proposed for NHS activity. The exact nature of the NHS facilities will be determined by its own business case and consultation processes.	To support public access, the clinical space is on the ground floor only, with strong integration to the leisure centre and advice centre. Office accommodation is on the first and second floors. The clinical areas will shared by providers and zoned by client group (e.g. children). As well as the main shared reception in the Street, there will be direct external access to some of the clinical facilities to assist with accessibility and privacy.

Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
The NHS will have the option to invest its own capital and/or cover the developer's costs through rent, as per the agreed OPE principles in the OBC. Depending on the services to be relocated there is the scope for vacated sites in Bury St Edmunds which could be redeveloped for housing or employment uses. Some of these sites are already identified for potential regeneration in the local plan.	The NHS will be required to continue to fund its own business case work and share the cost of any further design work. Before the Council incurs further significant cost on the NHS elements, the NHS will be asked to enter into an agreement to meet the Council's abortive costs if it pulls out prior to a contract being signed with a builder. A formal contractual commitment from the NHS will be required beyond this point.	Some design evolution is expected in the next stage to improve integration with non-health services and also increase sharing of the NHS spaces themselves. This will be encouraged as it will potentially release more commercial B1 office space to rent, particularly the eastern-end GF. However, any significant reduction in NHS clinical spaces is likely to trigger one of the fall-back options set out in the later sections of the FBC.

3.15. **Police Offices**

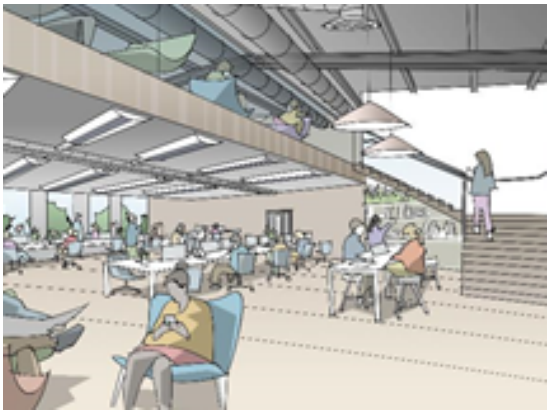


Assumed Floorspace (incl. shared areas)	***Operational Requirement***	***Design Solution***
577 m2 across all three floors (subject to review) within the current allocation of 1173m2 of public sector office space in the B1 allocation. External secure parking for around 10 operational vehicles (Subject to review)	The police are currently exploring only the relocation of specific services which would have the strong potential to complement and integrate with other public services at WWD. This reduces the requirement for specialist operational facilities. It also means that issues of response times are not applicable.	The police requirement is essentially a small, secure office building with secure locker rooms, as at the Mildenhall Hub. This allows for extensive sharing of the central facilities. For modelling purposes, space is being allocated on all three floors on the northern side of the building. The police will also be able to share the main reception if they wish to have public access.
Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
The police will have the option to invest their own capital and/or cover the developer's costs through rent, as per the agreed OPE principles in the OBC. The WWD is <u>not</u> intended as a replacement of the main Bury St Edmunds police station, and will also not affect the Investigation Centre at Rougham Hill. However, the WWD may allow the police to consider other rationalisation of its existing estate.	The police will be required to continue to share the cost of any further design work. Before the Council incurs further significant cost on the police elements, the police will be asked to enter into an agreement to meet the Council's abortive costs if it pulls out prior to a contract being signed with a builder. A formal contractual commitment from the police will be required beyond this point.	If the police pulled out of the project or significantly reduced their space, this would in the first instance be allocated to B1 commercial uses. However, if this was combined with a big reduction in the NHS requirement, the fall-back options set out later in the FBC would be triggered.

3.16. Shared Advice Centre

Assumed Floorspace (incl. shared areas)	***Operational Requirement***	***Design Solution***
1166m2 (348m2 for Council uses) (Subject to review)	A shared facility for advice agencies, with a mixture of shared waiting areas and interview room, advice desks, meeting rooms and back-office facilities. Integration with adjoining health facilities is also possible to support the social prescribing model.	The advice centre will be located in the north-west corner of the frame, right by the main reception area. To provide privacy it will be a self-contained operational area off the main Street.
Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
The Council will take some of the front-desk space itself, with the capital and revenue cost built into the overall WWD financial model, and will create some extra capacity in West Suffolk House. Other occupants will pay a conventional rent. There may be some vacated premises in the town centre by the move of other partners, which might free up some employment space for other uses.	Public sector partners taking space in the advice centre will be required to share the cost of detailed design work. Before the Council incurs further significant cost on the advice centre, partners will be asked to enter into an agreement to meet the Council's abortive costs if they pull out prior to a contract being signed with a builder. A formal contractual commitment will be required beyond this point.	The advice centre is not large, but if the space requirement reduces it will simply result in adjustments to the adjoining health areas, and free up a small amount of additional space to rent elsewhere in the building.

3.17. Commercial (B1) Office Space



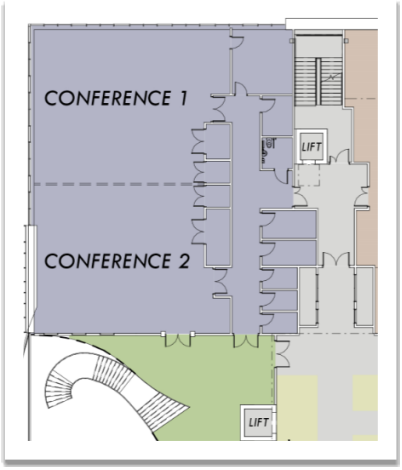
Assumed Floorspace (incl. shared areas)	*Operational Requirement*	*Design Solution*
Total space: 7717m2 (5409m2 of which is exclusive lettable area)	High quality and flexible office space. An analysis of the market demand for this space is provided at Part E and exempt appendix 8.	Flexible office spaces located on the first and second floors of the building. Separated from the Street in terms of privacy and noise, but sharing all of its central facilities. A separate first floor reception may also be required. The office spaces are designed so that they can be divided up or left as large units, depending on demand and tenant preference at the fit-out stage.
Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
Tenants will pay a commercial rent. Tenants will be expected to meet their own Category B (i.e. final) fit-out costs. If tenants relocate within from the town, some existing employment space may be vacated. However, the net effect will be the same in terms of creating additional employment space/jobs in the town.	It is unlikely that a commercial tenant would commit to the project so far in advance. However, if they did, similar agreements to the public sector occupiers will be sought. Otherwise, the Council will be building the space at commercial risk (but with mitigation plan).	The market analysis for this FBC continues to suggest a long-term demand for this quantity of commercial office space in the local market (see finance case). The phasing strategy for the project will also seek to manage the cost and risk of initial voids. The design of these spaces is also flexible enough to allocate them for additional public sector offices or an education use if this is needed. This space is also currently the 'float' in the project if external funding becomes available for bespoke training facilities or enterprise space (to be explored with the LEP at the next stage).

3.18. **Educational Use**

Assumed Floorspace	***Operational Requirement***	***Design Solution***
Student Accommodation: 3308m2 Additional space:TBA	Up to 150 units of student accommodation. The ability for students on relevant vocational use the PSV facilities. Potentially, designated teaching space for courses relevant to PSV core activities e.g. sports science	Student accommodation block on part of College site adjacent to the existing sports centre. Design of shared hub facilities in 'The Street' reflects potential use by students during and outside of office hours. Ability for staff café to be run by students as a formal teaching facility and for The Street to host small student-run activities. Design of B1 spaces has taken into account their potential re-purposing as teaching spaces if funding is available.

Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
The student accommodation would be subject to its own separate business case (see financial case). No additional funding is required for the existing provision in the hub as this arises from the flexibility of the core design. Full external capital funding would be needed to convert B1 space to teaching space.	The College or another third party will need to be able to underwrite a minimum level of occupation for the student accommodation project to proceed. This would be a separate project with its own due diligence and timescales. Clarification from an external funder that designated teaching space is required or not in phase 1 and suitable funding agreements in place.	If the student accommodation did not go ahead the use of the site would continue to be determined by the College's own site masterplan. The shared facilities in The Street would not change if the College did not use them, as they are shared multi-purpose spaces and this is just one use of their capacity. Designated teaching spaces would be created within the commercial B1 allocation, so they are, in fact, the 'alternative option' in this context.

3.19. **Conference Rooms**



Assumed Floorspace	***Operational Requirement***	***Design Solution***
360m2	A suite of meeting rooms that is self-contained in the building for internal use and external hiring. Should complement existing conference rooms in West Suffolk House and be flexible for multiple uses including potential ad hoc hearings and tribunals.	First and second floor facility. Main conference room will be dividable into two, and supported by two medium sized 'break-out' rooms, a lobby area, WCs and catering facilities.
Funding Method and/or Vacated Sites	***Developer's Requirement in Next Stage of Project***	***Alternative Options for Space***
The existing conference room at WSH is not affected, as this is additional capacity to support the PSV (although it will be available to the Council). The Council will include the capital cost of this in the wider WWD model. Running costs would be partially offset by hiring income. There would also be the model to allow WWD tenants to pay to use the facility through their rent, rather than direct hiring.	Not applicable	Not applicable, as this is a core part of the supporting infrastructure for the new offices. However, could be re-purposed as additional office or break-out space if needed.

'The Street' and other shared infrastructure

3.20. The deliberate design is that none of the operational spaces in the main frame can operate independently, in order to increase the efficiency and collaborative nature of the workplace and the future flexibility of the spaces to let. This means that staff toilets, kitchens, meeting rooms and break-out spaces, as well as main circulation, are in shared areas of the building. This is explained in more detail in the design statement and can be illustrated by the first floor plan below.

3.21. In addition, The Street will contain space for community and educational activities and even some small 'pop-up' retail opportunities, ancillary to the main uses. As an example, the library access point in West Suffolk House, will move across to the lobby of the WWD. We also hope that students from West Suffolk College may be able to use the space for vocational education purposes. Again, this concept, and the potential of The Street to be a dynamic and flexible space which adds value to the WWD project, is explained in more detail in the design statement at Appendix 2.

West Suffolk House

3.22. West Suffolk House will remain a public sector office building for over 500 staff, including those of West Suffolk Council. The intention, assuming that the full scheme is built in phase 1, would be to connect West Suffolk House to the new hub by a footbridge at first floor level. To allow full integration of the two hub buildings and their shared facilities but also to ensure there is easy access for people with disabilities. This is included in the current cost plan.

3.23. A small design allowance is also included for some minor conversion to West Suffolk House to allow it to benefit from being connected to the new hub. For instance, to review the current catering arrangements.

3.24. As there are unlikely to be any 'walk-up' services in the building after the opening of the new advice centre in the new hub, the existing reception area of West Suffolk House will also need to be slightly adapted. The meeting room suite and public toilets will still be publicly accessible from the front lobby (as will the upstairs conference room). However, the main lobby can become a new informal work space, as well as continuing to serve as a waiting area for the case conference and interview rooms that will remain in the building.

3.25. The Youth Offending Service facility will remain where in its current discreet location; able to use the main entrance or its own existing external entrance. The library point will be moved to the new hub's lobby to serve the main public and staff footfall. One or more of the ground floor meeting rooms may also be converted to accommodate an emergency winter shelter if this is ever needed; now possible because of the additional meeting room capacity in the new hub. Alternatively this may be provided by adapted facilities in the new hub, if that is more appropriate to the level of support needed.

Fall-back options

3.26. The target model for the PSV set out in this FBC will inevitably change as occupier requirements are refined. The project team has therefore tested the core design in terms of its flexibility to deal with alternative scenarios in terms of what is required and when e.g. a partner pulling out.

3.27. Clearly, this flexibility does not cover the ability to deal with 'force majeure' events such as a complete collapse of the commercial property market. In that context, the project described in this FBC would have to be put on hold and referred back to councillors. Therefore, this discussion of fall-back options in this FBC relates only to scenarios which still involve some use of the existing building frame.

3.28. The first fall-back option is actually to not over-commit to the Cat A levels of fit-out too early in relation to any part of the accommodation i.e. where an occupier is not signed up formally at the beginning of the build. A plan to leave commercial areas at shell and core until they are let *is already built into the cost plan*, and explained in more detail in the financial case. Similarly, commercial decisions could be taken in the short-term about rent levels and lease periods to mitigate the risk of voids. In relation to public sector elements, partners will be required to underwrite the Council's risks before any decision is taken to finalise the design and procurement of their areas.

3.29. In addition, the risk of there being a long-term delay in external funding or a significant reduction in demand for space can be managed through a menu of other options, broadly as follows:

1. Increase the shell and core areas/specifications in phase 1
2. As with 1, but also look for short-term uses for the shell and core areas
3. Consider omitting some or all of the mezzanine floors

4. Consider phasing of the hub to retain the core scheme and most of the PSV options
5. Ultimately, consider moving the entire dry-side of the leisure centre into the frame as a last resort (this is likely to be irreversible).
6. Develop the frame as a PSV without the leisure centre extension i.e. if the Council only adopts the PSV element of this FBC and does not wish to replace the leisure centre.

3.30. Option 4 is worth explaining in a little more detail, since this is a good way for councillors to reassure themselves at this point that the core design is suitably robust as a concept. It is also the most likely response to a significant reduction in known demand in order to avoid a delay on the residual PSV scheme. For instance, if the current NHS requirement in phase 1 reduced by, say, 50% or more, then it would become far too risky to refurbish and adapt the whole frame because there would be unlikely to be sufficient alternative demand for the space. But, equally, it would be a shame to preclude the NHS requirement growing in the future.

3.31. In that scenario, it would be possible, within the existing design, to install the new roof in its entirety but 'cap off' the Street at the penultimate fixed core, forming phase 1. The remainder of internal space (phase 2) would be left just as the frame and concrete pad and, most likely, be clad with very basic panelling ready for a future project whenever needed. This is possible because the central infrastructure for the PSV is in the middle of the Street, and would be inside the phase 1 area.

3.32. Short-term uses could be found for this basic 'phase 2' space. For instance, outdoor leisure activities, storage or, more pertinently to the WWD, car parking. This latter option would be a win-win, insofar as it could reduce or avoid entirely decked parking elsewhere on the site in the first phase too (when combined with the reduced number of spaces needed). As an additional hybrid, it would be technically possible to move the sports hall from the leisure centre into the built part of the PSV as well; this is the least disruptive leisure element to install and then relocate back to its original position later. A sketch plan of option 4 is shown overleaf.

3.33. While by no means ideal (particularly in relation to the sports hall), this fall-back option could be quickly considered in the next stage and adopted at the gateway review stage if needed, demonstrating the strength of the core design. Namely, that it would cope with a short-term shock and still be able to deliver the full original PSV vision in the long-term. In financial terms, this scheme has not been modelled in any great detail but there is confidence that it would be capable of reducing the capital cost enough to compensate for the net loss in rent. Retaining a break-even scheme overall in relation to the WWD. It would, however, also require a review of the income assumptions for the new leisure centre since these assume the frame being fully occupied in terms of potential new customers (be they staff or visitors).

Transport Considerations

3.34. As identified at the OBC stage, the accessibility of the scheme is a crucial issue. It was agreed in the OBC that the WWD scheme should demonstrate at the FBC stage that it can achieve planning consent in relation to highways considerations before any subsequent spending on the scheme takes place. This has therefore been a large focus of work on the FBC.

3.35. In its wider role, the Council will work with the Highways Authority to coordinate any junction improvements needed by WWD with other highways initiatives. Ultimately, though, if the WWD scheme is to be viable, and the benefits for the community achieved, it cannot be seen as a way to address wider transport issues in the town; issues which, while important, should be addressed by the transport, highways and planning authorities through their respective strategies and plans (see para 3.49 below).

3.36. While overall traffic is likely to continue to increase over the long-term in any event, the WWD will obviously have a significant and immediate impact on traffic in the immediate area. This has been acknowledged since the first masterplan. However:

- this extra traffic needs to be seen in the context of the scheme's benefits, as explained in the strategic case above. Planning case law indicates that, as well as taking into account the mitigation proposed, the community benefits of any proposal should be weighed against any the highway impacts;

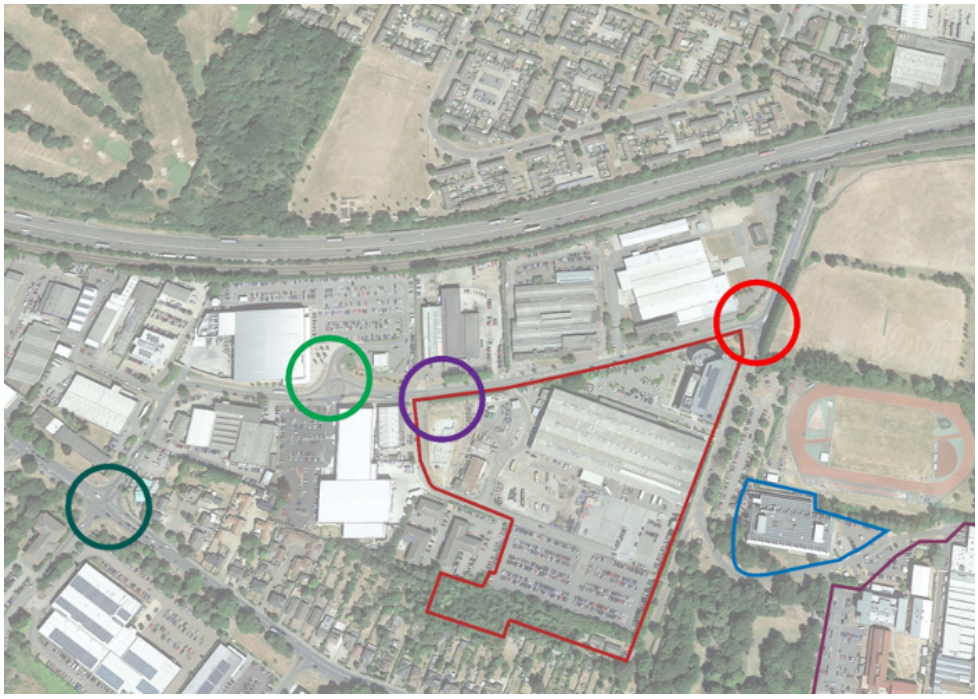
- WWD will re-distribute some existing journeys due to services being relocated to the site, so this is not all new traffic in the wider context of the town;

- the PSV elements of the WWD have a significant catchment area, well beyond Bury St Edmunds, extending in some instances to neighbouring towns, as well as villages;

- the site is likely to be redeveloped whether the Council pursues the PSV scheme for the WWD or not. Acting as the developer means that the Council can control and coordinate what happens on and off the site, and invest responsibly in junction upgrades which a commercial developer may seek to argue are not necessary; and

- the work done to date shows that the WWD scheme will lead to upgrades to junctions that will actually improve the default situation in most instances (see below).

3.37. For its own planning application, the WWD developer will need to provide a detailed traffic study which focuses on the four nearest junctions, which are shown on the plan below:



In addition, the Highways Authority is already intending to implement a new scheme for the Tollgate Junction and this will take into account the WWD masterplan.

3.38. The Beetons Way Junction next to West Suffolk House is also to be upgraded for the new sixth form college before the end of 2020. As agreed at the WWD's OBC stage, this Council plans to invest in the marginal cost of any additional works at this junction that would be required by the WWD masterplan (as an investment in the site, to save money for the taxpayer and to minimise disruption by having only a single set of works). In addition, the cost plan in this FBC allows over £2m for proposed improvements to the Olding Road junction, the 'ASDA Roundabout' and the Newmarket Road junction and for the creation of a large bus drop-off area.

3.39. A traffic survey carried out by the Council in February 2019 has established a baseline position for the four junctions. The expected background growth in traffic (i.e. how much busier it will get anyway) and the additional predicted traffic from the WWD and the sixth form schemes can be added to this baseline data to create projections of vehicle movements by 2030. This estimated traffic data can then be used to model different junction designs and identify what works best to reduce the delays caused by the extra vehicles at peak times. These proposed changes have also been shared with the Highways Authority as part of the pre-application consultations (see para 3.62 below).

3.40. The consultation designs for the upgraded junctions and a summary of the modelling carried out is contained in both the Design Statement and Transport Study at Appendices 5 and 6 respectively. **However, it should be stressed that these are only indicative designs and yet to be signed off with the Highways Authority.**

3.41. The work shows that the WWD will increase traffic in the local area but that the proposed junction and road improvements will offer an overall improvement in comparison to the queues and delays that would be expected in the future *if there were no redevelopment at WWD*. This is because lane widening and increased numbers of lanes at these junctions will increase capacity, while converting to roundabouts or signal control will ensure improved traffic flow and an overall decrease in journey delay times. So, in most instances, there is a net benefit from the WWD's new junctions.

3.42. In addition, pedestrian routes, cycle lane and bus stop facilities will be maintained at all junctions, with additional, controlled and uncontrolled formal crossing points where appropriate.

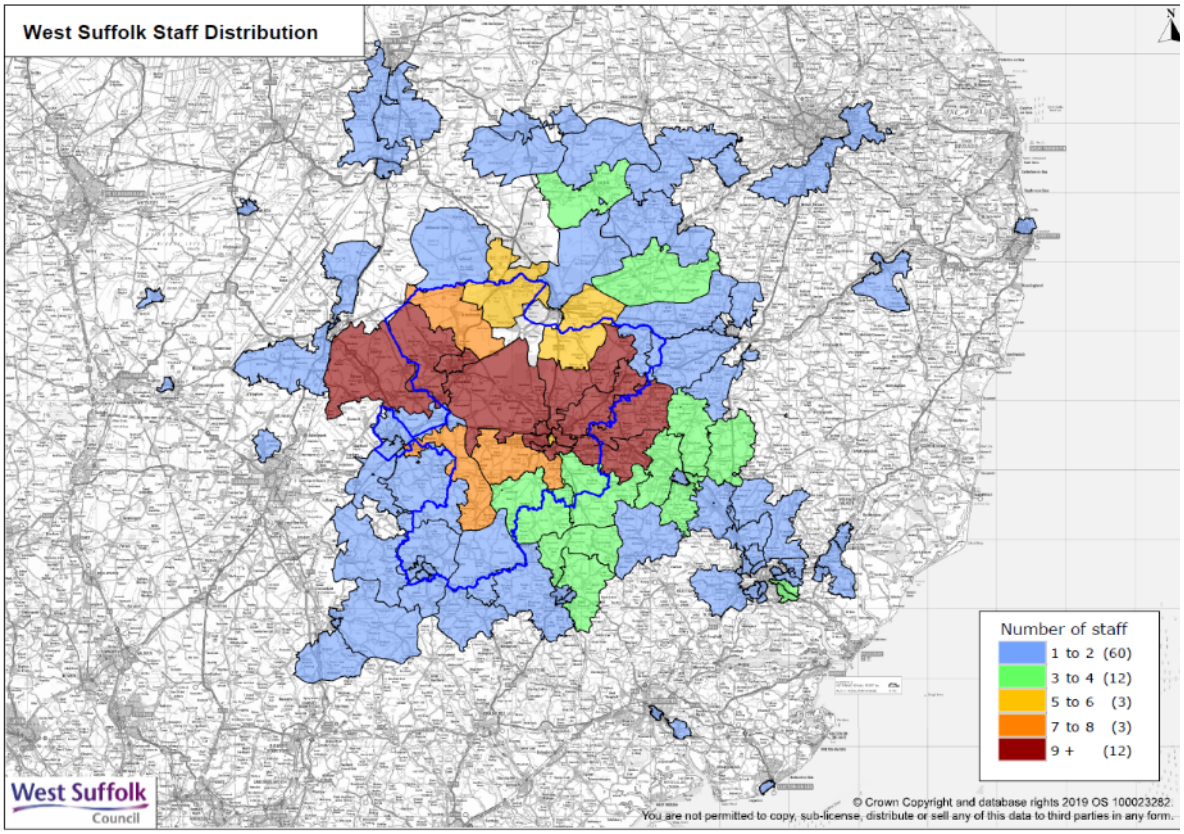
3.43. The traffic data also assumes that the proposed parking strategy is adopted, namely splitting parking between car parks off Beetons Way (north and south of the junction) and off Olding Road. This is important to spread and/or minimise traffic movements through the various junctions.

3.44. It is critical to note that the modelling data provided in this FBC is *before the impact of the travel plan* that will also be required as a condition of any planning consent. An ambitious Travel Plan for the whole site will therefore be prepared to reduce the impact of traffic even further. Additional information on the travel plan is included in Appendices 5 and 6.

3.45. As a summary, the Travel Plan will seek to encourage cycling, walking and public transport use via improved routes; to include bus stops by the development and increased frequency of bus services serving to a wider area. As a condition of them joining the WWD scheme, the Travel Plan will be developed alongside the public sector partners. It will look at staggering hours of operation for services, more flexible working policies, car park pricing, car-sharing and the use of surplus car parking in the town centre in order to reduce the potential impact of traffic generated by the development, particularly at the busiest peak times. West Suffolk College has also indicated in writing that it is keen to work with the Council on a joint travel plan for the WWD and neighbouring educational facilities. Other local employers will be

offered the chance to take part as well, ideally allowing the Plan to be extended to the Western Way area in general, not just the site itself.

3.46. Although the Council's staff will only make up a small proportion of the total WWD workforce, they are likely to be fairly representative of the local public sector workforce. To show the scope for a travel plan, therefore, the map below shows how the Council's office-based workforce (i.e. which is the most likely to be working at the WWD) is distributed in terms of the first 4/5 digits of their home post-code e.g. "IP32 6". So, for instance, there are 12 post-code areas which contain the home addresses of 9 or more staff and 60 where just 1 or 2 staff live. Predictably, the map shows that a significant number of staff live within a relatively short distance of the WWD. As of Spring 2019, just over 100 of these staff lived within Bury St Edmunds itself, and 30 of those within the post-code of the WWD itself.



3.47. Irrespective of the employer, any changes to staff parking and travel arrangements will require consultation with staff, because this is usually linked to terms and conditions of employment and has a bearing on recruitment and retention. As well as looking at what staff pay to park, a travel plan will need to look at: the availability of pool/operational vehicles; assistance with other forms of travel; enabling better levels of car-sharing; better use of ICT to avoid the need to travel (e.g. telephone and video-conferencing); and promoting flexible working policies including home-working. Clearly, the needs of the service itself will also have a large bearing on what travel plan an employer can introduce e.g. response times in emergencies. It should also be noted that some staff find it necessary to bring a car to work because of parental or caring responsibilities (e.g. school pick-ups) so a travel plan will need to take that into account.

3.48. Obviously, a lot of the WWD traffic will also be generated by service users rather than staff, notably those visiting the health and leisure facilities. The travel plan will therefore also target their journeys. However, as with staff, the challenges of non-car travel to Bury St Edmunds from the rural area should not be overlooked. This is pertinent to WWD's travel plan as the catchment of some of the public services will continue to be significant.

3.49. The 2019 WWD consultation has started the process of examining a travel plan by asking respondents (including staff) to indicate how they travel to the site and what might encourage them to avoid using the car. The proposed cost plan also assumes that the WWD developer will need to invest in the accessibility of the site, particularly for walkers and cyclists (including secure cycle parking).

3.50. Although not included in the transport study document, as requested at the OBC stage, the project team has also looked at:

(a) Road Link from the end of the Beetons Way footpath onto Newmarket Road

Pick Everard's initial work concluded that a link road from Beetons Way to Newmarket Road might assist in reducing the development traffic along Western Way. However, once they investigated the practicalities in forming a road link along the Beetons Way footpath, including a junction against Newmarket Road, they established that, to gain the visibility required around the corner of the Grade II Listed Barrack Wall, the Council would need to acquire significant additional land for the project. Recognising that potential compulsory purchase would add significant cost and risk to the development (as well displacing residents unnecessarily and controversially), the project team decided not to pursue this option at this stage. This can obviously be considered as a long-term aspiration if needed, as the option does exist. It is also expected that this route will be a key cycle and pedestrian access to the site.

(b) Footbridge over the Railway & A14 to access the residential development to the north of the site

A footbridge over these two major routes would be a very expensive undertaking as the length required to span this would be in the region of 53m clear span, plus long ramps on either side to provide full accesibility. Costs and restrictions to work over the national rail network are a major issue. Also, providing access to the bridge on either side of the A14 would require the acquisition and/or disruption of private land and public open space, and also impact on the amenity of residential properties.

Therefore, while the reasoning behind this suggestion is understood, it would be prohibitively expensive for the WWD project to take on as a cost of its own, and would almost certainly undermine its overall viability.

While it would undoubtedly improve walking and cycling access for many residents, there is also already a pedestrian and cycle access to the WWD under the railway bridge on Beetons Way, and the WWD travel plan will seek to improve public transport options. In that context, and given the catchment of the WWD, it is not expected that any developer of the site would be required by the planning authority to provide such a bridge.

For these reasons, it has not been included in the cost plan, or the pre-application consultation proposals, and would only be added if separate funding were made available or it became a requirement of the planning process. There has been no indication in the pre-application stage that it would. As mentioned above, this is also a good example of the kind of wider transport issue that should be addressed strategically and not be dependent on a specific development proposal. For this reason, the request for this footbridge will be fed into any future work on the new local plan.

Finally, while it has not been suggested that the desire for this bridge is linked to perceived safety, it is worth recording that, in the last 10 years, there has only been one recorded incident of a pedestrian injury accident near the existing bridge under the A14 (which resulted in a slight injury).

(c) Railway Halt

Irrespective of the potential benefits, this is not a matter that could be progressed by the developer of the WWD site. Such decisions would be taken by strategic transport providers and, even if supported (which is felt unlikely at the current time given the practical and cost considerations), would take many years to deliver. The focus therefore will be on improving access from the WWD to the existing station, and upgrading other forms of public transport to the site.

Car Parking

3.51. Car parking was identified in the OBC as a critical issue to both the viability of the WWD scheme and the choice of its development option. Addressing both of these issues pointed to a scheme that maximised the use of surface parking and minimised expensive multi-storeys. Surface car parking is far cheaper to build and also means that long-term expansion of the facilities on the site is possible. This is particularly critical if, as is government strategy, the use of private vehicles will reduce over the long-term[3]. The challenge for the WWD on parking, therefore, is to develop an affordable approach which meets short-term parking demand but allows the footprint of parking on the site to reduce over time as people rely less on private cars. Such an approach is proposed in this FBC.

3.52. From a landowner point of view (on behalf of the taxpayer), maintaining the value of the WWD site means ensuring that any redevelopment scheme is capable of being self-sufficient in relation to current car parking standards.

[3] Dept for Transport, Future of Mobility: Urban Strategy, 2019.

Therefore, reflecting viability considerations, the expected uses of the site, the land available and highways capacity, a total of around 1450 parking spaces are currently proposed in the WWD cost plan to cope with the peak demand on weekdays. This number is largely unchanged since the OBC and also accords with the existing parking standards in planning policy. This includes the car parking already available for West Suffolk House (visitors and staff) and the leisure centre so the number of new spaces being created is fewer than 1000. *N.B. The 2016 masterplan envisaged a multi-storey car park of 1800 spaces.*

3.53. Compared to the current levels of provision for West Suffolk House, this new total is also a reduction in the ratio of spaces to employees, and therefore will need to be accompanied by a bold travel plan (see above). While there is no attempt to over-provide spaces, under-providing them would not be recommended because of the catchment and operation of the facilities and the need to minimise over-spill in neighbouring residential areas.

3.54. Therefore this proposed number is felt to be a good compromise to meet the competing pressures on the scheme.

3.55. The spaces are to be provided through five car parks on or near to the site:

- **West Suffolk House visitor car park**: unchanged other than for the inclusion of some secure parking for operational vehicles
- **Olding Road**: surface car parking accessed from Olding Road which includes the current car park but is extended to cover the depot yard.
- **Beetons Way (south) deck**: a low-cost deck(s) above the existing Olding Road car park but accessed from Beetons Way, as envisaged in the masterplan.
- **Beetons Way (south) surface**: surface car parking on the site of the current leisure centre.
- **Beetons Way (north) surface**: surface car parking at the site of the former Warehouse Clearance store.

3.56. As mentioned previously this distribution of parking is an important part of the traffic management strategy for the site. For instance, over 200 vehicles will not need to access any of the four modelled junctions during peak hours if the Beetons Way (north) car park can be prioritised for staff arriving/leaving via the Tollgate junction.

3.57. It was requested at the OBC stage that the project team investigate offsite park-and-ride and park-and-walk options, which has been done. Leasing or purchasing a **park-and-ride** site *specifically for WWD* has been ruled out on the grounds of capital and revenue cost, and also because the majority of WWD service users and tenants would expect/require car parking on or very close to site for operational, accessibility, staff recruitment/retention or commercial reasons. The availability of parking is particularly important for leisure users and also in relation to health functions which may involve very short appointments. The staff of many of the public services on the site also come and go during the day as part of their jobs. Therefore, as part of a travel plan, it would be more effective in the first instance to try to reduce the number of car journeys to the site from home; not least in relation to the staff and visitors who will live in Bury St Edmunds itself. However, if a park-

and-ride scheme is ever developed in future for the town as whole then clearly it would be possible to link it to WWD. So this option is not permanently ruled out.

3.58. Alternative off-site **park-and-walk** options were investigated as part of the FBC, which is why the Beetons Way (north) site is included. As an alternative to this, very constructive discussions took place with a landowner regarding a potential 5-10 year lease for land to provide a 180 space car park just under half a mile on foot from the new front entrance of WWD. Unfortunately, feasibility work showed this was not viable for either party due to the high cost of construction being unrecoverable over the limited time period. Also, in planning terms, since the spaces would not have been available permanently, it would only have been possible to offer them as a temporary, phased parking solution in any planning application. In contrast, the surface car park on the site of the former Warehouse Clearance store is 0.3 miles to the front entrance of WWD and 0.2 miles to West Suffolk House and offers around 40 more spaces on a permanent basis. This was therefore selected as the better off-site option and recovery of the acquisition costs is included in the cost plan.

3.59. In addition, the Council and College have agreed in principle to look at a joint car parking and travel plan for the WWD and college campus. Some of this work will look at the potential for more staff to park and walk from town centre car parks, since this is not fully utilised on weekdays. It is, for instance, 0.4 miles on foot from the Parkway MSCP to the College and 0.7 miles to West Suffolk House. The College already has permits for some of its staff in town centre car parks.

3.60. By the same principle of balancing high and low demand, town centre car parking may benefit from the WWD scheme. This is because the peak weekend demand in the town centre could be supplemented by park-and-walk car parking on the WWD site. This already works well at the Christmas Fayre. Using existing car parking spaces is therefore an important part of the WWD project and the Council's car parking review.

3.61. It was explained in the OBC that the need to avoid a large permanent multi-storey car park was a key objective for the FBC, since this would almost certainly mean the overall scheme was unviable and inflexible. This objective has been achieved because there is now just a simple deck structure proposed on one of the car parks off Beetons Way. This would be a simple steel frame structure which, as well being cheap and quick to construct, has a relatively short-payback period. Meaning that, if car parking demand reduces in the future, it could be taken down and replaced with new built facilities. This low level structure also means that there is no visual impact on neighbouring residents as it will be screened by existing woodland due to the site levels.

3.62. As mentioned above, if the main fall-back option for the site is needed in phase 1 there is scope to reduce the initial amount of decked parking even further.

Planning

As mentioned in the covering report, it is important to note that the Council is <u>not</u> considering this FBC as the planning authority but as developer. Nonetheless, understanding that the scheme is capable of achieving consent is important to approving the FBC in that role.

3.63. There are several reasons why seeking planning consent is an imperative for the WWD project, and mitigating several of the key risk. In no particular order of importance, if consent can be obtained it will:

- test formally the planning issues
- give greater certainty on the deliverability of the scheme
- allow external funding to be obtained since this is a requirement for the NHS, LEPs, etc
- give greater cost certainty in terms of procuring a contractor
- 'lock-in' the highway capacity required by the scheme in terms of assessing any subsequent planning applications for nearby sites
- increase the value of the site from the landowner perspective (and by association ensure the investment on the WWD to date is recovered if a decision were taken to dispose of the site).

3.64. For these reasons, even if councillors were not prepared to approve the WWD FBC at this meeting it would be recommended that they still authorise the funding to obtain planning consent for the outlined scheme before considering next steps.

3.65. In terms of achieving such a consent, the WWD site already benefits from an adopted masterplan. An initial pre-planning application meeting was held with the allocated planning officer in October 2018, who was supportive of the scheme in principle and provided early suggestions for consideration during the next stage of the project which have been taken into account.

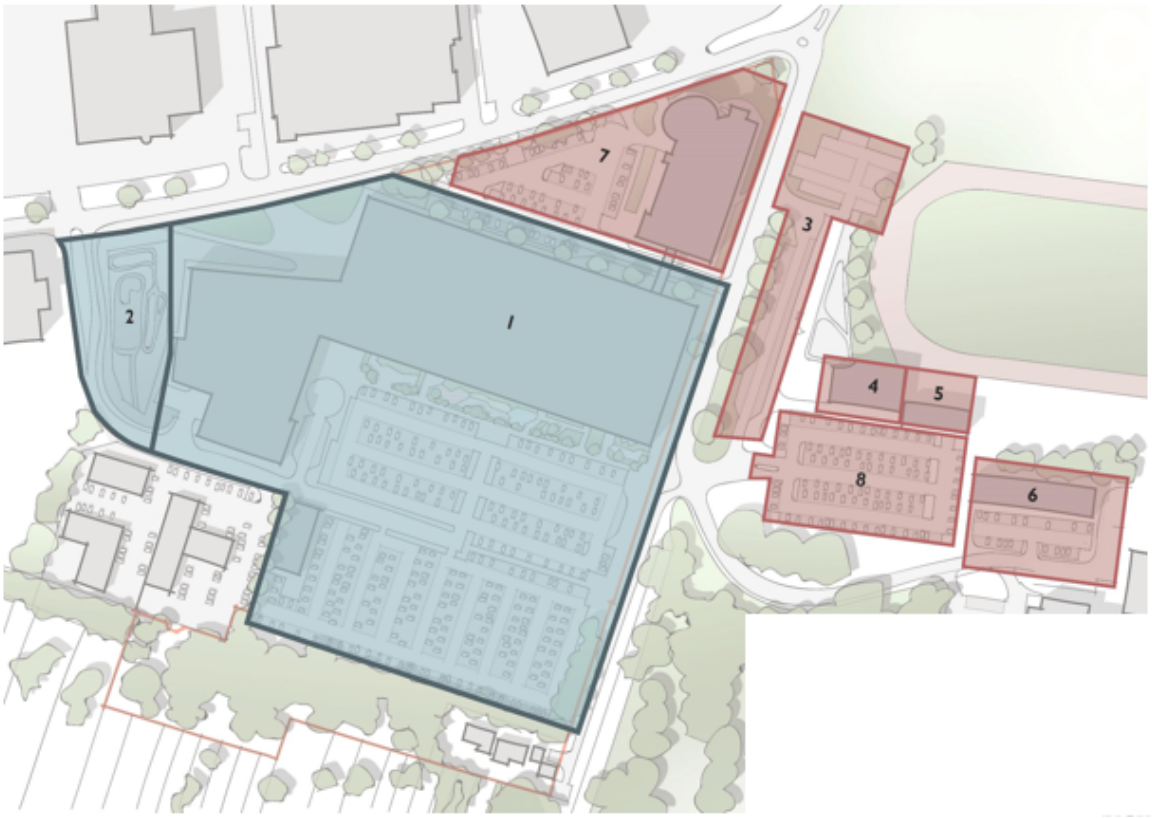
3.66. In order to get a costed scheme, a significant amount of survey and design work has been completed for this FBC, almost to the level required for a planning submission. A formal pre-application process has therefore been started. No major issues have been raised by the planning officers and highways authority to date, but helpful feedback has been received from them which will improve any final application. Some of this has already been included in the draft consultation scheme whereas some (particularly around urban design elements) can be incorporated in the final designs, alongside changes suggested by the public consultation.

3.67. If this FBC is approved, therefore, the scheme will be updated to take into account the current public consultation and the advice of the planning and highways authorities and then submitted as a formal application to be determined in early 2020.

Phasing

3.68. In the OBC, preferred and fall-back phasing options were presented due to the risk of the NHS logistics depot not relocating by 2021. As this date will be

achieved, the ideal scenario is now deliverable and has been updated accordingly. The phasing plan is now as follows:



4. Risk Assessment

4.1. Continual risk analysis has been ongoing to identify and assess the impact of all risks during the stages of the project to date. Perceived risks have been captured and a risk register produced by the Project Manager. A copy of this risk register is included in Appendix 3.

4.2. The Register will continue to be updated and formal reviews of it will take place on a regular basis (at intervals no greater than three monthly). The Project Manager will schedule risk workshops up to the end of RIBA Stage 4, and the Design Consultants will be asked to identify project risks and agree joint Risk Management strategies to manage these out in the design. In addition, Board Risk will also be captured and mitigated. High risk areas will be discussed at project meetings and, when formed, the Project Board will be kept informed of the highest scoring risks via their Project Board Meeting.

4.3. Further details of the approach to Risk Management are documented within Part F of this FBC.

5. Delivery vehicle considerations

5.1. It continues to be envisaged that the Council would act as a developer/financier and would be the owner (or head-lessee) of any completed facilities and that completed facilities would be leased (or sub-let) directly to the occupiers (supported by appropriate rent guarantees/sureties if and as appropriate). Alternative financing options are discussed in the

Financial Case below and would also be an issue to test in the gateway review.

5.2. In relation to each of the partners and potential occupiers above, specific delivery arrangements will be developed around the principles explained in detail in the OBC. As well as the option for partners to invest capital of their own, these arrangements would include a model whereby the Council acts as developer/financier in the same way but the individual tenants are responsible for the capital costs for their own fit out works.

5.3. Once in occupation, operational facilities management and servicing arrangements would be delivered via formal delivery agreements and service level agreements between the occupiers, the Council and any facilities management contractors.

5.4. In terms of the delivery model for the proposed student accommodation, the delivery options are explored in more detail in Exempt Appendix 10, although this is not a matter under consideration in this FBC. This is likely to be a specialist arrangement. It is also possible that any on-site pre-school may involve an alternative delivery vehicle to the general model otherwise assumed above.

5.5. Arrangements for the leisure centre will be managed under the current partnership agreement with Abbeycroft Leisure.

D. Commercial Case
(How are we going to procure it?)

1. Procurement

Procurement Process

1.1. The information contained in this section is a summary position to explain the recommendations in this FBC. Exempt Appendix 9 provides a more detailed report on the commercial approach the Council may take to any eventual procurement. This report therefore contains commercially sensitive information.

1.2. As with any project, the procurement method may also need to change as project and market conditions evolve. Therefore, it may be necessary to change what is suggested below before contractors are appointed and following any gateway review. However, since decisions on how the Council procures works are governed by the Council's contract procedure rules and existing delegations, such a change would not require a new decision by councillors after adoption of the FBC. They are a normal part of project delivery. These same rules also allow flexibilities for minor contracts where the pace and demands of the project justify a more targeted procurement e.g. very specialist advice.

1.3. The following process was followed to determine the most appropriate procurement route to recommend in this FBC and will be tested again in any gateway review:

- Procurement workshop held with the officer project team.
- Conference calls held with relevant frameworks.
- Procurement and Tender Report produced by Currie & Brown and Pick Everard based on the Client's Requirements.
- The Pagabo framework[4] was identified as the best option and provisionally engaged to ensure pace is maintained if this FBC is approved.
- A Contractor Awareness Day was held on 10 April 2019.
- Meetings have been held with Pagabo to discuss execution timelines for a first stage tender.
- Further early and informal engagement with Pagabo contractors has taken place over potential costs, programme and phasing, with site visits to comparable projects.

1.4. If this FBC is approved, the aspiration is to have a first stage tender package compiled, ready to issue to the tendering contractors, as soon as possible after achieving planning consent. Pagabo would coordinate the compilation of the tender documents, with the technical information being provided by the professional team. Pagabo's fee for this work is included in the cost plan and the value for money of their services was a factor in the selection of the framework (see below).

Procurement Strategies

1.5. Procurement is a major element in all construction projects. It is critical in determining a client's relationship with both the design team and contractor and

[4] See www.pagabo.co.uk

is a key part of a project's development in order to secure value for money. The main procurement routes are as follows:

- Traditional: designer-led projects where design and construction teams are procured and managed separately. A fully-complete design forms the basis for construction cost. Risk of design remains with the client.
- Design and build: places responsibility for design and construction with the contractor. The basis of cost is a developed-but-not-completed design and the contractor may include a risk allowance.
- Managed forms of construction: designers and construction teams are procured separately, with the management of the design contracted for a separate fee. The design is developed alongside construction activities, and construction costs are provided on a package-by-package basis.

1.6. The driving forces behind construction industry projects can be best illustrated by the time, cost and quality paradigm as illustrated below:

The procurement strategy adopted will be dependent upon the Council's required balance of these three drivers, plus the approach to risk. This explored in the next section.

Key Client Requirements

1.7. **Timescales** – the recommended procurement strategy was based around the following milestone events:

- Council Meeting in September 2019 to give approval to proceed with a scheme.
- Vacant Possession of the NHS Depot by no later than October 2020[5], requiring an appointment and mobilisation to facilitate a start on site as soon as possible thereafter.

1.8. **Costs** – there is a desire to have an open book relationship with the Contractor regarding costs, recognising both the Client requirement to deliver value and have clear understanding of costs from the outset and the contractor requirement to make a fair profit. This will be achieved through: the Contractor tendering packages of works to three subcontractors; tender returns being issued to the Client and the contractor simultaneously; and the Client's professional team analysing the tenders with the Contractor.

[5] NHS Supply Chain has announced it will move to Suffolk Business Park in May 2020.

1.9. **Quality** – determined by the existing Council/partner portfolio (e.g. West Suffolk House, Mildenhall Hub, etc) and user briefing information. The tender will need to find the appropriate balance between quality, relevant experience, innovation, functionality, value for money and, most importantly of all, affordability to the taxpayer. The scale of the project does mean that it is likely to be only suited to major contractors.

1.10. **Incentivisation** – the Contractor should recognise the Client as a developer, having an understanding of the capital and revenue costs and deliver the project in line with the development appraisal. Methods to incentivise the Contractor to reduce cost / running costs are desired, and also to share in risk and reward in terms of delivering the cost plan.

1.11. **Partnering and Collaboration** – a key requirement will be for the Contractor to be a partner i.e. an 'open-book' member of the team regarding risk, costs, programme and design.

Procurement Decisions

1.12. **Procurement Approach** – a two stage design and build approach was agreed as the best option to propose in this FBC. The two-stage process matches the programme requirements and allows early contractor involvement in design, planning and costs. The design and build balances the transfer of risk to the contractor, cost certainty and control over design.

1.13. **Tendering** – the Pagabo framework is proposed as it provides appropriate contractors with capacity in this region with the proven ability to deliver projects of this nature. As an OJEU compliant framework, fully compliant with public sector procurement rules, it offers significant programme benefits (as the public procurement timescales have already been satisfied through the framework tender). In addition, Pagabo provide procurement and contract experts to assist and guide a client through the project.

1.14. **Frameworks Costs** – There is a cost to using any framework. Pagabo levy a 0.22% fee which is paid with the monthly Contractor payment during construction. This offers value through the programme by avoiding the high cost of open OJEU procurement, the ability to use Pagabo tendering documents, Pagabo's management of the tender (offsetting consultant fees) and the long-term relationship Pagabo have with the contractors (to ensure they align with the project requirements and ethos).

1.15. **Tender Scoring** – recognising the requirement to be a partner, and given that the Pagabo framework already defines certain financial outcomes (e.g. profit), a 75:25 quality to price scoring ratio is proposed for the selection process. The scoring will be based on: relevant experience and past performance on similar contracts; the requirement to partner and be open; level of oversight by and access to the Contractor's most senior executives; and key performance indicators (KPIs) such as local employment, apprenticeships, sustainability and environment. In effect, finding a Contractor who has a very strong 'fit' to the project in the widest sense.

1.16. **Contract** – The Institute of Civil Engineers' New Engineering Contract (NEC) option C. Option C is a contract which is subject to a pain/gain share mechanism

by reference to an agreed target cost built up from an activity schedule. A target cost contract of this type introduces a mechanism enabling the contractor to share in the benefits of cost savings, but also to bear some of the cost when there are cost overruns.

Design Services

1.17. Pick Everard have worked on the project since its inception and, under the budget approved at the OBC, are already commissioned to take the design work up until submission of the planning application. If this FBC is approved, a new design team appointment will be needed to take the project to the point of awarding a construction contract, which will involve a large amount of technical design work to include in the tender pack. The scope and brief for this key appointment would be submitted to the officer project team for consideration and approval under normal Council procurement processes and delegations. Once a Contractor is appointed, the main designer's services may be novated to them. Either way, after this point, the Client will need to continue to engage architectural advisers during the construction period.

1.18. Design appointments would be based on the RIBA Standard conditions of appointment. In addition to the architect and other normal design disciplines, a core project team will be needed comprising: Project Manager; Cost Consultant; and Contract Administrator. To maintain pace on the project and obtain good value for money, it is proposed in this FBC that the appointment of these consultants should be commissioned under an available framework. The cost plan in this FBC is based on standard industry norms for professional fees but experience on this and other projects suggests that the Council will be able to negotiate better value than these rates, and obtain price certainty through a cap on fees.

Other Professional Services

1.19. In addition to the above:

- Further specialist advice will be needed on matters such as highways, ecology, renewables, etc.
- Property and valuation services will be needed, including marketing of commercial spaces and work to develop leases.
- Legal services will be needed in relation to: due diligence work; finalising any construction related contracts/appointment documentation and associated warranties; transfers of assets, etc.

Specialist advice will also be needed in relation to the leisure centre and student accommodation.

1.20. An allowance for further external advice is included in the cost plan, and there is also provision for the Council's own internal staff costs. A project of this magnitude is likely to require the equivalent of one FTE in terms of senior officer time.

Separate Projects and Packages

1.21. As explained in the next section, the pre-school and student accommodation elements of the project may need to be taken forward as separate projects in their own right. If this is the case, then they will have their own business cases proposing approaches to procurement and professional support. They may well suit small to medium-sized contractors or specialist providers.

1.22. Similarly, it is also possible that the contract for converting the Beetons Way (north) car park could be offered as a separate package to a smaller contractor.

2. Risk Transfer/sharing

2.1. During the design phase, the risk register will be managed by the client team. During the second stage, the Contractor will work with the client's professional team to design out as many risks as possible. The desired outcome is that the final risk register, at the point of entering the building contract, is agreed by all parties including who is responsible for each risk.

2.2. At the point of entering into the building contract, the Contractor will be expected to provide a priced risk register as part of their Contract Sum. At this point, the risk of designing and building the project transfer to the Contractor. The Contractor may wish to exclude risks that they are unwilling to hold, e.g. ground obstructions, which will need to be agreed by the Employer.

2.3. The Contractor may place a large premium for assuming responsibility of some risks. At this point, the Employer and their advisors will need to balance up the cost to each party of holding the risk, as well as whether it is fair and equitable to ask the contractor to own the specific risk. The risks that the client team continues to own will then be clearly scheduled.

E. Financial Case

Executive Summary of Financial Case

This financial case focuses on the financial implications from a developer's (the Council's) perspective. It should not be forgotten however that this project offers a once in a generation opportunity for a number of public sector partners to deliver a step change in the management of the public estate and significant benefits to the community.

In line with what was agreed in the 2018 Outline Business Case, we have continued to review and challenge the assumptions used in the financial modelling, including the capital costs, borrowing methods and achievable rent levels. The OBC showed the target model having an annual revenue gap of £1.5m (excluding costs associated with the leisure centre). This section of the FBC shows how we have worked to get a revenue position that now shows it can break even on an annual basis with the potential for future income growth.

The capital costs of the scheme have been worked up to an elemental basis, and have undergone continual value engineering, in order to get to the figures detailed in this business case. There are a number of variations from the OBC, with some costs increasing and some decreasing. The mid-range capital estimate for the scheme now sits at just over £100m, when you exclude the leisure centre, student accommodation and pre-school from the costs.

There have also been significant reductions in the annual revenue costs, with the scheme now showing that it is capable of breaking even (when excluding the leisure centre, student accommodation and pre-school). The main reasons for this are: a result of refreshing the borrowing methodology; incorporating renewable technologies into the scheme; and maximising the rentable space within the building.

The Council's requirement for acting as developer will be at least a break-even scheme over the whole life of the project, allowing for the management of cash flow risk. There are some potential cost deficits in the early years of the scheme, which will need to have a provision made for financing them. External funding will be sought to help fund these deficits, as well as to cover the additional capital required to meet the high-range cost estimate, in order to provide an extra level of robustness to the scheme.

In order to get to a position of contracting with a builder, due to the scale and complexity of the project, the Council will have to commit to potentially spend up to £4.5m over the next 12 months. This would cover the residual costs of getting to planning, preparing the tender pack and further technical design to ensure that best value and cost certainty can be achieved from a contractor. Given the scale of these latter two items of expenditure, a gateway review will be carried out before they start and partners will also be expected to sign up to abortive cost agreements in order to mitigate the risk to the Council of taking on these costs on their behalf. It is proposed however that, in the first instance, the Council commits to a further £300,000 from the Strategic Priorities and MTFS reserve (unless funded as part of the one-off Suffolk Business Rates Pilot monies) to enable the planning application process to commence; as explained earlier in the FBC, this is a priority action in any eventuality.

A sensitivity analysis has been undertaken to assess the impact of changes in the assumptions made within the financial modelling. Changes in borrowing rates, the capital costs of the development and the rental income we can achieve from the scheme all have an impact on the overall revenue position. There are numerous mitigation measures that can be put in place to avoid the worst case positions detailed within the sensitivity analysis.

The financial position detailed here is the position at the time of writing the FBC, and will continue to be refined as the project progresses through the planning phase, review stage and beyond. The greater level of certainty we receive from partners (including rent levels and lease terms), and with the capital cost estimates (testing with the market), the more robust the financial analysis will become.

1 Expenditure by Council to Date

1.1 The Council decided in 2016 to invest in the delivery of the adopted masterplan and a project of this scale will incur significant costs. The OBC detailed the expenditure that had been incurred by the project up until that point, with all barring £20,000 of the £485,000 spend being funded by the Council.

1.2 Approval for a further £1.5m budget was given with the approval of the OBC, in order to be able to prepare this Final Business Case. A maximum of £900,000 was to be funded by the Council's own reserves, with the other £600,000 having to be found through partner contributions and other external funding sources.

1.3 Although the full sum is committed as some costs are outstanding (for instance, the contribution to the Beetons Way road junction approved at the OBC stage), the actual spend that has been incurred to get to this FBC stage is £1.35m. This spend has enabled us to get to a position where, with some final expenditure, we can submit a planning application for the scheme. This spend to date has covered:

- Architectural and professional services (i.e. Structural Engineers, Civil Engineers, Mechanical & Electrical Engineers) for all buildings
- Site surveys, including site investigations, topographical survey, transport assessment, 3D building survey.
- Project Management and cost consultancy services
- Specialist advice, including procurement advice, a demand & need study for commercial office space and a feasibility study for student accommodation.
- Development of required strategies, including sustainability, environmental, transport and building management.

1.4 Contributions from partners towards these costs total £126,000, with other external funding totalling £474,000. This external funding is a mixture of One Public Estate grants, Transformation Challenge Award grants and Business Rate Pilot funding – demonstrating the wide support for the project. The remaining amount has been funding from the Council's Strategic Priorities & MTFS reserve. As explained elsewhere, as well as investment in the outcomes the scheme will deliver, this spending is also an investment in the value of the site, as it will be worth far more with the benefit of planning consent.

2 Future Financial Requirement

2.1 If this FBC is approved, all of the future project funding required is included in the capital and revenue estimates provided below. This will include all project management costs, professional advice and surveys, statutory fees, taxes and allowances for the overheads and profits of contractors. The Council would expect to negotiate reductions and/or capped fees on some of the fee allowances shown.

3 Objectives and Methodology of Financial Model

3.1 The 2018 OBC for WWD was approved on the basis that the project would be:

- at worst, a break-even scheme over the life of the project after any external funding; and
- a deliverable scheme irrespective of who or what is incorporated in the development
- subjected to an external review before the bulk of any further significant expenditure was approved.

3.2 The purpose of this FBC is not to precisely estimate the final financial capital and revenue model for the scheme because, at this stage, this would be impossible to do. A project of this nature is bound to evolve, not least through the planning process and be subject to external factors outside of the Council's direct control. Instead, the objective is to demonstrate that there is sufficient assurance for the Council as developer to take forward the scheme as part of its capital programme. Specifically, that it is still likely to be capable of achieving a break-even position in the worst-case financial scenarios. As at the OBC stage, this remains a prudent approach to take in view of the sums of public money potentially being invested and the strategic importance of a deliverable scheme. Moreover, councillors will be aware that the Council's projected budget position for the next few years requires it to take an extremely prudent position.

3.3 In that context, the financial model for WWD needs to be presented in such a way that the Council can identify its minimum financial requirement for each element of the scheme, and then test the likelihood of achieving that in a range of scenarios. These individual assessments can then be aggregated into an overall appraisal of the viability of the whole project. This approach also acts as a risk appraisal of the scheme from the developer's point of view.

3.4 To provide more assurance about the robustness of the Council's investment decision, this model is based on the worst-case financial assumption that the only third party investment in the project will come from some of the tenants meeting their Category B fit-out costs i.e. the Council will fund the whole scheme to at least a Category A standard[6]. To be absolutely clear, this is an unlikely scenario and, furthermore, some of the public sector elements will not be delivered unless those partners are able to secure their own funding. However, since those partners cannot yet sign up to the project and/or such funding is not yet available[7], then this is the only way the Council could safely assess the project at this stage. Under this approach, the Council is agnostic about whether a partner funds its requirement through revenue and/or capital and is simply testing whether, irrespective of the final occupiers and range of uses, the scheme is deliverable from a developer or taxpayer's perspective, and that there are clear fall-back options. This conceptual point is important to highlight but it does not demonstrate any lack of commitment or enthusiasm on the Council's part to the PSV scheme agreed in the 2018 OBC.

3.5 It is also important to maintain the distinction agreed in the OBC between the replacement leisure centre and the other elements of the scheme. The Council must address the leisure centre replacement regardless of the WWD project; the question is when and how, not if. The replacement of the leisure centre is therefore more of a conventional asset management decision which will be based on a 'whole life' assessment of what is already going to be spent and what might be saved if an alternative course of action is taken. In contrast, decisions on the other elements of WWD are about understanding the likely return on an investment the Council is making as a developer. For this reason, the leisure centre continues to need its own independent business case, as set out in Appendix 1.

3.6 The student accommodation and pre-school elements of the scheme are also excluded from the main financial model in this business case. Both of these elements are not a requirement of the scheme, and can be delivered in isolation of the main WWD taking place, and without any council involvement. As such, both of these will be subject to separate business cases.

3.7 Another key OPE objective for the scheme set out in the OBC was that no public partner would *be required* to subsidise the other. To be able to demonstrate this principle in an open-book fashion it is therefore important that the financial model can show the true and full cost of each operational element of the scheme. This would not preclude partners *choosing* to subsidise each other's facilities. The Council said in its OBC, for instance, that, given the strategic benefits, it could re-invest any returns from WWD back into other parts of the project, if this were needed to achieve a break-even

[6] Category A (Cat A) generally describes the level of fit out that the tenant's own space is completed to by the developer. There is no standard definition, but a category A fit out may include: raised floors and suspended ceilings; distribution of mechanical and electrical services; internal surface finishes; blinds. By extension, Category B (Cat B) completes the fit out of the internal space to the tenant's own specific requirements.

[7] Funding applications to regional and national funding bodies (e.g. LEPs) typically require planning consent and/or guaranteed delivery within a short timeframe, sometimes as little as 12-18 months. In the case of the NHS and government departments, outline and final business cases are also required to release funding, again often linked to planning consent and final contract sums being agreed.

position for the project as a whole. Similarly the Council would expect other public partners to take a bigger picture view on the overall benefits and understand that, to be able to co-locate with other partners, the scheme has to be viable for them and the other partners.

3.8 The financial model for WWD can be built up in several stages. These are explained in the following sections. This is necessarily a high level summary and more information is contained in the various appendices.

4 Capital Costs

4.1 The capital costs for the project shown in this section include all overheads, including professional fees and contingency, and an allowance for inflation. Pick Everard's cost consultants have compiled these estimates, having produced an elemental cost plan for the full scheme. There have also been allowances included for the historic site acquisition costs and notional land values, and a provision for the council to apply some of its own internal costs to the scheme such as project management. Exempt Appendix 7 provides more detail on how the capital fees are estimated, including assumptions and exclusions. The way capital costs are treated in the model is as follows.

4.2 Operational elements

4.2.1 A key part of building the WWD financial model is to divide the capital budget between operational elements and supporting infrastructure/overheads. This is a prerequisite for the entire cost of the scheme being apportioned between the relevant end users, irrespective of whatever later decisions are taken on how to recover that cost. This allows us, for instance, to see the true cost of replacing the leisure centre. It also means we can make a proper assessment of how far likely rental income will go in meeting the full cost of new offices, which elements will have to cross-subsidise each other, etc.

4.2.2 In terms of the scheme overheads and central facilities, these costs can also be distinguished between those costs that the Council will bear (either as landlord or leisure provider) and those that will be apportioned between the other occupiers on an equitable basis. Some of those costs to be shared are just divided in proportion to relative floor space. Others are only apportioned to specific areas. So, for instance, the cost of highway improvements is only apportioned to the new WWD uses which generate the new traffic whereas the reception area cost is shared by all users. As well as funding its leisure elements, under this approach, the Council will take on the cost of the commercial and renewable energy facilities, as it will receive the full income from these elements to re-invest in the project or contribute towards the delivery of front line services.

4.2.3 On this basis, the project infrastructure/overheads can be broken down into four groups as follows:

Group A (council only)

- Demolition of Leisure Centre
- Cost of adaptation of West Suffolk House
- Bridge Link between WSH and Hub
- Renewable Technology
- Council internal project costs[8]
- Cost of community activity areas in The Street
- Site remediation works for Council depot

Group B (all WWD occupiers as applicable)

- Highways improvements (new activities on site only)
- Bus drop off area
- External areas (plazas, planting, etc)

Group C (new occupiers of PSV only)

- Shared facilities for new hub building
- Waste Store
- Acquisition costs

Group D (parking)

- Surface car parking (Western Way, Olding Road and former Warehouse Clearance Site)
- Multi-storey parking provision

4.3 Capital Expenditure Summary

4.3.1 A summary of the capital spending, broken down as explained in the previous sections, is shown overleaf, followed by commentary on changes since the OBC. The figures shown are for a mid-range financial estimate of £143.7m including all elements, £102.8m when you exclude the leisure centre, student accommodation and pre-school from the costs (see 5.9.2 – 5.9.5 for sensitivity analysis and low and high ranges).

4.3.2 It is important to note that the costs for the operational spaces are, with the exception of the Street and Leisure Centre, only to a Cat A finish. This reflects the continued assumption that occupiers will need (and/or want) to meet their final fit-out cost directly. However, the marginal cost of Cat B fit-out can be provided separately to potential occupiers and, under the financial model proposed, the Council could also meet this if tenants were prepared to cover it through their rents. Furthermore, the public café area is only costed to shell and core, since it is assumed the commercial operator will want to fit this to Cat A and B.

[8] Partners will mirror these costs in their own organisations and there may also be scope to share them.

Western Way Development - Mid Range Capital Cost Estimate

Overheads / Infrastructure (costs shared in table below)	Cost
Group A (council only)	
Demolition of Leisure Centre	£ 761,195
Cost of adaptation to West Suffolk House	£ 156,317
Bridge Link between WSH and Hub	£ 404,018
Renewable Technologies	£ 5,363,354
Council Internal Project Costs	£ 600,000
Pop-ups	£ 96,752
Community activity areas in The Street	£ 1,304,849
Site remediation works for Council depot	£ 2,338,427
Group B (all occupiers)	
Bus drop off area	£ 396,626
Highways improvements	£ 1,671,006
External areas (plazas, planting etc)	£ 4,430,573
Group C (hub shared spaces)	
Circulation Space and Shared Staff Facilities	£ 10,804,883
Reception	£ 1,456,515
Breakout / Meeting Rooms / Co-working space	£ 4,215,264
Waste Store	£ 350,000
Historic Acquisition costs	£ 7,680,000
Group D (parking)	
Parking provision	£ 14,515,285

Capital Summary Table:	
Main WWD scheme	£ 102,783,086
Leisure Centre, Skate Park and Athletics Pavillion	£ 27,943,255
Student Accomodation & Nursery	£ 12,973,888
Overall Project Total	**£ 143,700,229**

Operational Facilities		Direct Cost	Share of Group A overheads	Share of Group B overheads	Share of Group C overheads	Share of Group D overheads	Total cost
Occupiers	Advice Centre (non-Council)	£ 1,542,808	£ -	£ 179,206	£ 857,000	£ 664,098	£ 3,243,111
	Health Operational (internal)	£ 12,785,163	£ -	£ 1,131,443	£ 5,775,457	£ 3,415,361	£ 23,107,424
	Health Operational (external)	£ 714,460	£ -	£ -	£ 592,426	£ -	£ 1,306,886
	Health Office	£ 9,449,903	£ -	£ 939,640	£ 5,104,000	£ 2,859,687	£ 18,353,230
	Public Sector Office Space (Police 450 m2)	£ 2,387,429	£ -	£ 205,815	£ 1,070,679	£ 406,591	£ 4,070,514
	Public Sector Operational Parking	£ 174,245	£ -	£ -	£ -	£ -	£ 174,245
	B1 (Office) Space - Commercial	£ 13,804,206	£ -	£ 1,457,671	£ 8,287,877	£ 4,675,792	£ 28,225,546
	B1 (Office) Space - Stores	£ 339,941	£ -	£ 22,641	£ 55,453	£ -	£ 418,034
	Central Mezzanine Office Space	£ 1,804,300	£ -	£ 120,171	£ 1,013,130	£ -	£ 2,937,601
	Central Mezzanine Office Store	£ 462,842	£ -	£ 30,826	£ 75,501	£ -	£ 569,170
	Occupiers Total	**£ 43,465,297**	**£ -**	**£ 4,087,413**	**£ 22,831,523**	**£ 12,021,529**	**£ 82,405,762**
Council	Advice Centre (Council)	£ 656,347	£ -	£ 43,714	£ 258,602	£ 2,263,354	£ 3,222,017
	Conference Rooms	£ 860,080	£ -	£ 65,601	£ 274,552	£ 108,424	£ 1,308,657
	Nursery	£ 1,835,000	£ -	£ 83,895	£ -	£ 94,871	£ 2,013,766
	Energy Centre and renewables	£ 1,594,386	£ -	£ 108,502	£ -	£ -	£ 1,702,888
	Leisure Centre	£ 25,229,458	£ 761,195	£ 1,339,481	£ 170,435	£ -	£ 27,500,569
	Main Kitchen / Café	£ 1,711,852	£ -	£ 100,476	£ 466,582	£ 27,106	£ 2,306,016
	Public Restaurant	£ 644,114	£ -	£ 45,630	£ 391,454	£ -	£ 1,081,197
	Print & Post	£ 355,630	£ -	£ 23,686	£ 113,515	£ -	£ 492,831
	Sports Pavilion	£ 419,000	£ -	£ 23,686	£ -	£ -	£ 442,686
	Student Accommodation	£ 10,384,000	£ -	£ 576,122	£ -	£ -	£ 10,960,122
	Council Sub-Total	**£ 43,689,867**	**£ 761,195**	**£ 2,410,792**	**£ 1,675,140**	**£ 2,493,756**	**£ 51,030,750**
						Adaptation of West Suffolk House	£ 156,317
						Link Bridge	£ 404,018
						Renewables	£ 5,363,354
						Council Internal Costs	£ 600,000
						Pop-ups	£ 96,752
						Residual Street Space	£ 1,304,849
						Council Remediation Works	£ 2,338,427
						Council Total	**£ 61,294,468**
						OVERALL PROJECT TOTAL	**£ 143,700,229**

4.4 Major Variations in Capital Costs since Outline Business Case

4.4.1 The Outline Business Case identified areas that would be explored as a way to mitigate and reduce the capital costs of the scheme. These have all been explored, and most have contributed to a reduction in the capital costs of the scheme. Details of some of the changes are below:

- Car Parking – the cost of providing the required level of car parking space for the development has reduced by over £4m since the OBC. This has mainly arisen by reducing the need for a multi-storey car park to a simpler deck car park by increasing the amount of surface car parking.
- Value Engineering – the value engineering process has been an ongoing process throughout the design works. It is difficult to quantify exactly how much has been saved as a result of the continual value engineering, but it is in excess of £6m from the final cost check alone.
- Renewable technologies – the OBC did not include any costs associated with renewable technologies. The developing energy strategy for the scheme has a big focus on renewable technologies, which has resulted in additional costs of £5.3m being added to the scheme. However, this additional cost generates an annual revenue surplus which helps to fund over elements of the scheme which do not generate a return.
- Shared facilities – a lot of work has been undertaken to balance the level of space allocated to 'The Street', and to make it as useable as possible. Although this hasn't had a major impact on the capital costs of the scheme, it has led to more efficient use of space, which in turn leads to a greater amount of rented space.
- Inflation – inflationary assumptions have been updated, which has led to an increase in the allowance made in the cost plan for inflation. This allowance reflects the expected increase from today's base prices to what they will be when we actually appoint a contractor. The total inflationary allowance within the cost plan (excluding the pre-school and student accommodation) is just over £14m.

5. Revenue Implications

5.1 As can be seen above, the total mid-range capital funding requirement of the core scheme is up to £102.8m, excluding the leisure centre, student accommodation and pre-school. This is an estimate and, inevitably, this sum will change up or down as the project progresses. As such, while the Council is being asked to approve an upper limit of £112m (in borrowing terms) to its own capital spending on the project[9], the main driver for the budget authority which is sought in this FBC is the requirement to maintain at least a break-even position overall. This was agreed in the OBC, and is similar to the approach being used for the Mildenhall Hub. Through this model, the revenue side of the model will indicate what can be afforded, and the project must then be delivered within that constraint, as well as within the upper limit to the capital spending by the Council itself. As with the capital model, the revenue model for the project needs to be broken down into several distinct elements or issues as follows.

[9] Based on the high-range estimate of costs in the FBC cost plan, as well as capitalisation of borrowing costs during construction, and to mitigate the Council's risk as a developer.

5.2 Method of funding

5.2.1 The 2017 OBC explained that it had already been decided by councillors that the Council acting as developer was likely to be the best of the available options for WWD. In the context of this FBC needing to demonstrate a deliverable baseline position, this conclusion is maintained i.e. the financial model is built up on the basis that the Council will develop the site itself and borrow directly to meet the net funding requirement. However, this would not preclude the Council choosing a different delivery or financing model as the project progresses if a better one emerged, for example the financial market offers a better rate to the public work loans board (PWLB).

5.2.2 However, the way in which the Council borrows the money has a significant bearing on the costs of the project. In order to be prudent, the OBC assumed borrowing on a maturity basis. This means that there is no repayment of any principal until the end of the loan period, so the Council would make provision each year for the loan's repayment but hold onto those funds until the end of the loan period (modelled at 40 years) when it would pay off the loan amount in full. This is therefore the most expensive form of borrowing, as you are paying interest on the full amount of the loan every year. You could of course invest the funds being held back but it's unlikely to be as favourable.

5.2.3 Due to the uniqueness of this project, and the fact that borrowing is likely to be directly linked to the capital spend (i.e. we will borrow to fund this project, most likely from the outset), we have refreshed the assumption in the financial model to borrowing on an annuity basis. On this basis, repayment of part of the loan principal happens every year, which in turn means the interest payments are lower – just like a repayment mortgage. The total loan repayments are the same each year, with the amount of interest reducing over the term of the loan, off-set by a corresponding increase in the principal repayment element. Overall, this is a much cheaper method of borrowing than on a maturity basis because you are not borrowing the full sum over the 40 years. Instead it is a reducing balance over that period.

5.2.4 Advice from our treasury advisors suggests that an annuity basis is the most favourable way to borrow from the PWLB, so the assumption made is not an unrealistic one. There is also a level of prudence built in to the assumption, due to the interest rate assumption we have used. The model uses an interest rate of 3.00%, whereas the current prevailing PWLB interest rates are in the region of 2.15% for 40 year money on an annuity basis. This gives a level of contingency within the borrowing costs in the event of interest rates rising over the next year (we would be looking to fix into rate at contract award stage). For every 0.25% change in interest rates, there is roughly a £200k per annum impact on the overall revenue position.

5.2.5 There are other methods of funding the project which could be considered, and will continue to be explored as the project progresses. These include methods such as an 'income strip' model, whereby a private investor – usually a pension fund – purchases the development once completed, with the Council taking a head lease of the whole site (which to the market is a very strong covenant). The Council would then sub-lease to the partners, with the expectation that this

would off-set the costs of the head lease. After the term of the head lease (usually between 30 – 45 years), the Council would be able to buy back the whole development for a nominal sum - usually £1. This method of financing can sometimes offer up a more competitive financing model to that of a PWLB loan. The recommendations for this FBC provide for this choice to be made by the S151 Officer if needed.

5.3 Leisure Centre

5.3.1 As can be seen above, the impact of the leisure centre on the WWD capital budget is obviously significant. However, this impact relates to money the Council must find and spend in in the coming decades irrespective of the WWD scheme. Leaving the centre on its existing site is still likely to cost over £11.85m in the next 10 years.

5.3.2 Appendix 1 sets out a more detailed business case for replacing the leisure centre, in capital and revenue terms. This shows that, on a whole-life basis, investing in a new leisure centre is the most affordable way of delivering a high quality leisure offer, saving around £15m in capital over 40 years and achieving a similar revenue position over the same period to the alternative refurb now and replace later option(s). This cost includes proposed works to the skatepark and the creation of a sports pavilion to cater for the athletics track, both of which are required if the replacement is part of the WWD site. It also includes the public café for the PSV (and its share of 'The Street') as this is in the leisure centre extension (which means the revenue from this facility is also applied to the leisure centre business case).

5.3.3 As explained earlier, the decision to invest in a new leisure centre is essentially an asset management decision, also linked to the wider partnership and savings plan with Abbeycroft Leisure. While a new leisure centre is still an integral part of the scheme in design and delivery terms, it is therefore proposed that this decision is seen as a separate *financial* element of the FBC for WWD and assessed individually as well as collectively. Specifically, in the context that the Council must shortly make financial provision for replacing the leisure centre in any event, it is recommended that the Council's emerging Medium Term Financial Strategy for 2020-24 onwards starts to include funding for this purpose as set out in the table below (and as identified in Appendix 1 relating to the preferred option of building the new centre as an extension of the existing depot frame). The table below details the annual revenue implications of building a new leisure centre, including the improvements to the skate park and provision of a new athletics pavilion.

Annual Revenue Implications of New Leisure Centre	**£**
Annual Benefit from New Leisure Centre	430,000
Annual Borrowing Costs	(1,151,500)
Annual Surplus / (Deficit) after Borrowing Costs	**(721,500)**

5.3.4 If approved, an annual budget will therefore be established for the unavoidable cost of maintaining and/or replacing the Bury St Edmunds leisure centre, and

the funding of this requirement would become part of the Council's main budgetary process, rather than it being seen solely as a WWD project decision. This not only ensures that the essential works can be funded whatever happens with the WWD project but it also means that a truer perspective is provided on the return from investing in the wider WWD scheme.

5.3.5 It is also important to see this proposal in the wider West Suffolk context of the Council's other leisure centres and the considerable provision recently made or already included in council budgets for investment in them:

Leisure Centre	**Council investment 2015-2023**
Brandon	£2.3m – potential spend from Leisure Investment Fund and Business Rates Pilot
Bury St Edmunds (Skyliner)	£1.5m – committed
Haverhill	£1.5m – spent (following previous major refurbishments prior to 2015)
Mildenhall	£15m – approx leisure element of Mildenhall Hub
Newmarket[10]	£1.9m – spend approved

5.4 Student Accommodation and Pre-School

Student Accommodation

5.4.1 Work on the FBC has included a detailed feasibility study into the provision of student accommodation for West Suffolk College on land adjacent to the current leisure centre. The confidential study was carried out by Carter Jonas and was jointly funded with the College. It is nearly 100 pages in length, and is at its final draft stage, for sign-off in September.

5.4.2 Again, while an integral part of the WWD scheme in operational and strategic terms, it is suggested that this element is separated from the main financial business case for WWD. As such, the feasibility study is not included as an Appendix to this FBC as it does not need to be considered at this point. There are two main reasons for this.

5.4.3 Firstly, although there are some inter-dependencies in terms of site infrastructure and parking, the facility could technically be delivered even if the rest of the WWD scheme did not go ahead and/or with its own timetable and procurement. In that regard, the draft feasibility report, while identifying challenges and risks, confirms that it is definitely a scheme worthy of consideration and highlights potential next steps, including conversations with student accommodation operators and potential funders and more detailed design work.

5.4.4 Secondly, as the draft study has confirmed, it is unlikely to be prudent to include it in the main WWD FBC. This is because either:

[10] The Centre was newly built in 2008 at a cost of £14.1m

(a) in the most prudent scenarios, the student accommodation would be capable of generating only a modest return even if, as will be required for any scheme to progress, a minimum level of rent is under-written by the College or another party. This return could justify the investment in strategic terms but couldn't be relied upon to produce any surplus for the WWD project; or

(b) in the riskier, more commercial, investment scenarios it may be capable of generating a stronger financial return. However, it would not be prudent for the Council or any other investor to under-write the WWD scheme by relying on a separate investment of this nature.

5.4.4 Finally, it is also worth noting that the Council does not own the land which the student accommodation would be built upon. The land is owned by Suffolk County Council, leased to West Suffolk Council who then sub-lease to West Suffolk College.

5.4.5 For these reasons, it is recommended that the Council progresses the student accommodation element of the WWD scheme independently to the main project, and on the basis of it making sense in its own right. To do that, it is suggested that the officers continue to progress the project with West Suffolk College and prepare and submit a final business case to councillors if required in the future (there are scenarios in which the project could be progressed with no council approval).

Pre-school (Nursery)

5.4.6 The market appraisal for the WWD has identified the potential to create a pre-school facility, potentially next to the athletics track. The County Council's CYP team confirm that there would already be community demand in the local area for such a facility and it would also be an added selling-point to public and private employers considering relocating to the WWD.

5.4.7 The capital cost plan includes the cost of a pre-school. However, similar to the student accommodation, it is proposed that, in financial terms, this is also excluded from the main business case for WWD. The reasons would be virtually identical to those for the student accommodation albeit the levels of risk are far smaller.

5.4.8 In addition, it is felt that SCC, as the statutory provider, may wish to take the lead on this aspect of the project, including considering the use of s106 funding from developers for pre-school places in the area. Furthermore, given the way the market operates, there is also scope only to provide a serviced site to an operator, and to allow them to provide their own building.

5.4.9 Accordingly, it is suggested that the design and cost plan for the WWD only now makes provision to include a serviced site for a pre-school facility. On this basis, if the Council wished to act as the developer/investor in the pre-school a separate business case would need to be brought to councillors at a later date.

5.5 Progress since OBC on closing the revenue gap

5.5.1 The financial modelling in the 2018 OBC showed that, taken on their own, the exclusive rentable areas in the new hub were capable of covering their own direct costs, but not the indirect costs of the internal and external infrastructure they would need to function, including all the shared areas. Resulting in an annual revenue gap of around £1.5m for the scheme before taking into account the leisure centre. Closing this gap was therefore the challenge set between the OBC and this FBC.

5.5.2 As explained above, the capital costs for the scheme have evolved considerably since the OBC because the design itself has evolved. However, there has also been a focus since the OBC on refining the revenue model for WWD, and it is helpful to explain this before presenting the updated revenue figures themselves. Broadly, the changes can be summarised as follows:

(i) The amount of rentable space in the target model has been increased by:

(a) minimising the amount of public sector space required through effective and innovative sharing of facilities;

(b) maximising the operational use of 'The Street' by including within it most of the shared facilities of the hub. Meaning much more of this space can legitimately be included in the rentable area of the building (which was not the case in the OBC); and

(c) as a result of (b), maximising the efficiency of the rentable areas themselves.

(ii) As explained in the design statement, the contribution of renewable technologies to the scheme is likely to be significant and no provision was made for this in the OBC.

(iii) As explained in section 5.2, the borrowing assumptions have been refreshed which have had a significant positive effect on the revenue figures.

(iv) The model now includes commercial income to be generated from various ancillary spaces such as the café and conference rooms. As explained above, the capital costs of these areas must be met by the landlord, but income generated can be re-invested back in the scheme under the principles agreed in the OBC. More information on some of these areas is provided in the Carter Jonas report attached as Exempt Appendix 8.

5.6 Projected rents and third party investment

5.6.1 The key part of the income model remains third party rents and/or capital investment. Private sector occupation will be through a conventional lease at market rates. However, it was agreed in the OBC that public sector partners could be offered the 'One Public Estate' rental model whereby they could invest capital in return for discounted rents (up to completely rent free over the long term in return for a 100% investment and anything in between). It is

suggested that this principle is retained. However, in terms of this FBC, the Council does not actually need to know *how* a third party will fund its involvement in the WWD project; this will be a matter for their own business cases. What matters instead is outlining the target income each area needs to generate in capital and/or revenue and then understanding how likely this is to be achieved.

5.6.2 Obviously, in presenting the FBC in this way, some realism is needed about what public or private partners might actually be prepared to pay. Therefore, since the OBC, the Council has updated its market appraisal for the commercial elements of the scheme and engaged with public sector partners on what they may be able to afford. This work can be summarised as follows:

(a) Office Space (including police areas and shared 'Street')

In the current core design for the new hub, there is over 10,000m2 of B1 space to a Cat A standard. Based on what public sector partners have advised, around 4,500m2 of this space is provisionally allocated to them. The remaining 6,000m2 or so is allocated for renting on a commercial basis. In addition, breakout areas, meeting rooms and storage areas in 'The Street' are capable of attracting a rent,

Clearly, in order to attract commercial tenants, it is the prevailing level of market rent which will be applicable, irrespective of the landlord's costs. Carter Jonas' updated appraisal is provided as Exempt Appendix 8. In simple terms, this suggests that renting out the space allowed for commercial offices in the WWD should be achievable over a period of 5 years[11]. There is also a possibility that this could be achieved a lot quicker if a serviced office provider looked to take a significant amount of the space at once. Carter Jonas consider that an achievable market rent for the WWD standard of accommodation, including parking spaces and allowing for the tenant funding the Cat B fit-out, would be between £19 - £21 per ft2. This is consistent with the estimate used in the OBC.

Under OPE principles, the Council cannot subsidise office space for partners, but will seek to offer it at a standard public sector rate which reflects the Council's costs. This FBC assumes a level of rent between £18 - £20 per ft2 to Cat A fit out, excluding parking, for public sector office space and for shared areas in The Street. It is important to note that this public sector rate would only be certain to apply to public partners who signed up at the outset of the scheme. Partners joining later may require B1 space from within the commercial allocation.

Car parking would be an additional charge for public sector partners (see below).

[11] As explained elsewhere, for this reason the office space is only built to shell and core until there is certainty that it will be rented out.

(b) Advice Centre

The advice centre is shown separately in the capital model but it would be treated the same as public sector office space, as it is also essentially B1 accommodation. This would not preclude the Council from making a later decision to subsidise the rents of any charity or community organisations sharing the space but, for FBC purposes, the OPE model must also apply.

(c) Health Operational Areas

A large proportion of the NHS space in the building is office space. However, the public access areas on the ground floor need to be treated separately in the model, since they have higher capital costs and carry more developer risk. Again, they will be offered on a cost-recovery basis, although the level of rent in some instances will be determined by the District Valuer under NHS rules. The analysis for this FBC examined various scenarios for what rent might be achievable, based on discussions with the NHS.

The specification and design of these areas has been led by the NHS partners, reflecting their estates strategy and they have had chance to evaluate the cost plan in this FBC. So this is not a speculative exercise for the Council as developer. However, the NHS will still have to complete its own separate OBC and FBC processes in order to join the scheme.

(d) Parking

As explained above, the estimated commercial rent includes parking because the private market expects this to be included in a single rental payment. However, this will not apply to public sector partners, who have widely varying parking requirements for staff and visitors. Therefore, a separate price-per-space model is needed for the remainder of spaces.

This model would need to be refined considerably at later stages of the project, and will be subject to the travel plan contained in any planning consent. However, as these are unknowns, for the purposes of this FBC it is assumed that any car parking spaces that are not allocated to the commercial office space or leisure centre[12] should generate £500 of income a year, whether through rents or direct charges. This is broadly equivalent to the cost of parking in the Parkway Multi-Storey Car Park with a permit and to what is already charged to tenants of West Suffolk House. It is important to note that this is a modelling assumption and that, linked to discussion of a green travel plan, later decisions will be needed on whether visitors and staff should pay to park and, if so, how much (N.B. at present, council employees pay to park at Olding Road).

[12] The current arrangement with Abbeycroft Leisure is that they refund their customers the cost of parking, and the council then refund Abbeycroft in turn – it is assumed this arrangement will continue, hence no income has been assumed from these spaces.

The key point for this financial model is that car parking is not free and, however it is paid for, each space will need to generate what is equivalent to the going rate for off-street parking in Bury St Edmunds.

5.7 Revenue Projection for Target WWD Model (excluding leisure centre, pre-school and student accommodation)

5.7.1 With the above factors taken into account, it is possible to summarise the financial model in the revenue model shown below at 5.7.4, and produce an overall assessment of the viability of the project.

5.7.2 As can be seen, the main revenue cost for the WWD project will be the annual cost of funding the prudential borrowing; borrowed in the manner explained above. In addition, there will be some landlord costs (maintenance, etc) that also need to be factored into the model at this stage. These would have to be absorbed in the market rent figure received from commercial tenants, but would be shared on a cost-recovery basis with public partners. There are also some running costs for the Council's own elements and parking. However, all other running costs will be met by occupiers through their service charges and therefore are not applicable to the developer business case. The revenue costs of West Suffolk House are, similarly, not expected to be affected, as the operation of this building is largely unchanged.

5.7.3 The revenue costs are based on initial assumptions of income levels and annual costs, along with total annual borrowing costs. This is to show the initial revenue position of the scheme if fully let out post construction. Clearly, however, given the way any borrowing would be structured, and other factors such as inflation and likely vacancy rates in the early years of the scheme, this is only part of the picture. The impact on the Council's MTFS is therefore shown in the cash flow profiling at 5.8 below.

5.7.4 As previously explained, the leisure centre, pre-school and student accommodation are not included in these figures as they are subject to their own business cases. The table below shows the initial revenue position of the scheme if fully let out.

Annual Revenue Implications	**£**
Annual Income	4,916,343
Annual Expenditure before Borrowing Costs	(376,916)
Borrowing Costs	(4,511,193)
Surplus / (Deficit) after Borrowing Costs	**28,235**

5.7.5 The assumptions which have been built into these figures have been discussed above and additional cash flow assumptions are detailed as part of the cash flow projections below. The table shows that the scheme has the potential to achieve the desired break even based on these assumptions (it would be prudent to treat the small potential surplus shown as a contingency).

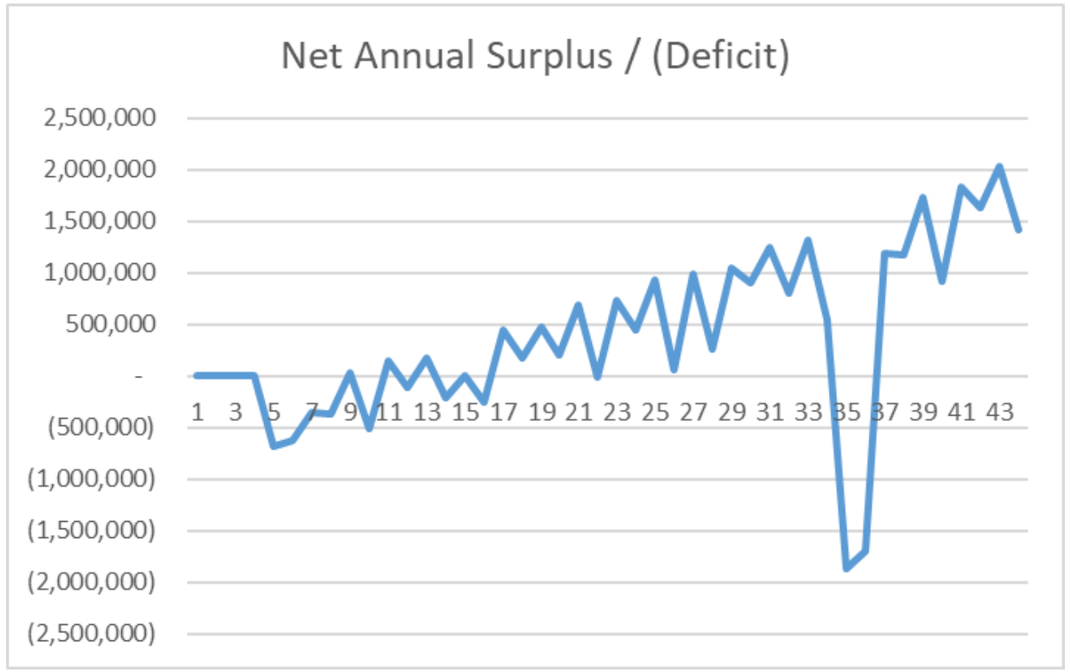
5.8 Cash flow Projection for WWD Target Model

5.8.1 For the purposes of assessing the impact of this scheme on the Council's Medium Term Financial Strategy (MTFS) and beyond, a more detailed analysis of the revenue expectations has been carried out and put into a cash flow forecast.

5.8.2 This cash flow forecast includes assumptions around void periods, inflationary increases in both rent and cost, phasing of capital spend and the capitalisation of borrowing costs during the construction phase of the project. Details of these assumptions can be seen with the cash flow forecast below.

Western Way Development – Cash Flow Forecast

	1 31-Mar-2021	2 31-Mar-2022	3 31-Mar-2023	4 31-Mar-2024	5 31-Mar-2025	6 31-Mar-2026	7 31-Mar-2027	8 31-Mar-2028	9 31-Mar-2029	10 31-Mar-2030	11 31-Mar-2031	12 31-Mar-2032	13 31-Mar-2033	14 31-Mar-2034	15 31-Mar-2035	16 31-Mar-2036	32 31-Mar-2052	33 31-Mar-2053	34 31-Mar-2054	35 31-Mar-2055	36 31-Mar-2056	43 31-Mar-2063	TOTAL
Annual Income	-	-	-	4,221,412	4,305,251	4,572,185	4,577,911	4,972,604	4,439,843	5,099,291	4,843,985	5,132,916	4,750,085	4,954,617	4,705,635	5,405,653	6,289,141	5,514,818	3,101,755	3,269,203	6,160,733	6,484,866	215,431,931
Annual Expenditure before borrowing costs	-	-	-	(376,916)	(380,685)	(384,492)	(388,336)	(392,220)	(396,142)	(400,103)	(404,105)	(408,146)	(412,227)	(416,349)	(420,513)	(424,718)	(498,015)	(502,995)	(508,025)	(513,106)	(518,237)	(555,620)	(18,426,036)
Borrowing Costs - Interest	-	-	-	(3,111,302)	(3,080,282)	(3,034,409)	(3,004,031)	(2,955,141)	(2,904,784)	(2,852,916)	(2,799,492)	(2,744,465)	(2,687,787)	(2,629,409)	(2,569,280)	(2,507,347)	(1,221,518)	(1,119,152)	(1,013,715)	(905,115)	(793,257)	(10,103)	(72,951,530)
Borrowing Costs - MRP	-	-	-	(1,420,497)	(1,463,112)	(1,507,006)	(1,552,216)	(1,598,782)	(1,646,746)	(1,696,148)	(1,747,033)	(1,799,444)	(1,853,427)	(1,909,030)	(1,966,301)	(2,025,290)	(3,249,995)	(3,347,495)	(3,447,920)	(3,551,358)	(3,657,898)	(4,498,753)	(107,107,290)
Net Surplus / (Deficit)	-	-	-	**(687,302)**	**(618,829)**	**(353,721)**	**(366,672)**	**26,461**	**(507,828)**	**150,124**	**(106,643)**	**180,862**	**(203,356)**	**(172)**	**(250,458)**	**448,298**	**1,319,613**	**545,175**	**(1,867,905)**	**(1,700,375)**	**1,191,341**	**1,420,389**	**16,947,075**



Assumptions:

- Completion of main build end of March 2023.
- Borrowing repayments start straight away with interest repayments capitalised during construction period.
- Minimum Revenue Provision starts in financial year after construction completion for 40 years.
- Rental income for all elements barring commercial office starts from day 1.
- Commercial office rent phased, with first phase (2,559 m2) starting 5 months after construction completion.
- The second (1,093 m2) and third (1,627 m2) phases happen in subsequent years.
- Lease term of 30 years for health partners, with 2 year void after completion of lease.
- Lease term for other public sector partners between 10 – 30 years, with 1 year void period after completion of lease.
- Lease term for commercial offices of 5 years, with 1 year void period after completion of each lease.
- Inflation rate of 1.00% applied to income levels and annual expenditure. Borrowing costs will stay the same for the life of the loan.
- Rental income increased by inflation after 5 year rent reviews for each lease.
- Annual expenditure costs increase by inflation year on year.
- Borrowing costs based on 40 year borrowing, using the annuity method at an interest rate of 3.00%.

5.8.3 The cash flow forecast above shows that over the course of the whole project, it could potentially generate a total surplus of just under £17m (on a non-discounted cash flow basis). Allowing for the worst-case scenarios of voids aligned to rental periods (which account for the short-term deficits). However, the first five years of the project show a combined deficit of £2,000,000, with this increasing to £2,487,000 over the first 10 years.

5.8.4 This deficit will need to be mitigated, otherwise it will have a negative impact on the Council's MTFS. We will be actively looking for commercial tenants to fill the space as quickly as possible to mitigate these costs as much as possible. However, taking into account the advice from Carter Jonas, it is prudent to use the assumptions we currently have. Clearly, though, it would be open to the Council to reappraise the initial rent levels to incentivise occupation.

5.8.5 Furthermore, with the FBC approved, the Council will be able to seek external funding to manage this risk, including discussions with the LEP. This support could be in a variety of forms, ranging from direct capital investment through to forms of revenue support. Since these potential deficits are largely created as a result of the timing of attracting commercial occupiers, and the short lease terms associated with these types of tenants, there is a strong case to be made for LEP funding given the wider economic benefits of new jobs and business rates. As mentioned in the economic case, the commercial B1 space is also the 'float' for additional public sector office space and/or exclusive vocational education space. In the case of the latter, since it would need to be linked to a direct investment of capital, such an initiative would be very beneficial to the overall model, and this will also be a focus of discussions with funders.

5.8.6 These factors, serve to illustrate the importance of the proposed gateway review in the next stage of the project, at which point the critical decision on how much space to build in phase 1 for each category of use, and overall, will be taken (see Economic Case).

5.8.7 Outside of the cash flow for the full development costs, there will also be the need to commit a significant level of funds over the next 12 months. These costs and the various stages they relate to are detailed below.

5.8.8 In order to get to a position of contracting with a builder, due to the scale and complexity of the project, the Council will have to commit to potentially spend up to £4.8m over the next 12 months. This would cover the residual costs of getting to planning, preparing the tender pack and further technical design to ensure that best value and cost certainty can be achieved from a contractor. Given the scale of these latter two items of expenditure, a gateway review will be carried out before they start and partners will also be expected to sign up to abortive cost agreements in order to mitigate the risk to the Council of taking on these costs on their behalf. It is proposed however that, in the first instance, the Council commits to a further £300,000 from the Strategic Priorities and MTFS reserve (unless funded as part of the one-off Suffolk Business Rates Pilot monies) to enable the planning application process to commence; as explained earlier in the FBC, this is a priority action in any eventuality.

5.8.9 These costs will ultimately be able to be capitalised, if the scheme goes ahead in its current guise. Alternatively, public partners may actually prefer to take the OPE benefit of investing in them up front, and having a lower rent. However, until such a time as we are confident this will happen, these costs will have to be underwritten by revenue funds or the risk mitigated. It is proposed that the funding required for the planning stage be funded from the strategic priorities and MTFS reserve until such a time as they can be capitalised.

5.8.10 Furthermore, in order to mitigate the risk that the Council is taking in incurring the employer pack costs, public partners will be required to enter into formal legal agreements in relation to their share of these costs before the Council incurs them. This means that the Council will only be holding the investment risk of its own elements of the project e.g. the commercial offices of which will be underwritten by revenue balances or reserves.

5.9 Financial Risk Appraisal and Mitigation

5.9.1 Clearly, a direct investment of this size, the largest the Council or its predecessors have ever made, carries considerable financial risk, and requires a very risk averse approach by the Council as a developer.

5.9.2 In general terms, this risk can be expressed through carrying out a basic sensitivity analysis of the various key (those that have the potentially to have the biggest financial impact) variables in the earlier model, for example the fact that the capital estimates are based on the mid-range forecast of costs.

5.9.3 The table below shows how the Net Annual Surplus / (Deficit) would change if there was a 5.00% change either way on both the rental income achieved and the overall construction cost. The 5.00% variance either way on construction costs is based on the high and low-range estimates provided by Pick Everard.

Sensitivity Analysis		Construction Cost		
		+ 5.00%	Mid-range	- 5.00%
Rental Income	-5.00%	(432,304)	(217,582)	17,783
	-	(186,487)	28,235	263,600
	+5.00%	59,330	274,052	509,417

5.9.4 This second table shows how the Net Annual Surplus / (Deficit) would change if there was a 5.00% change either way on rental income achieved, and a 0.50% increase or decrease on the borrowing interest rates. As mentioned in 5.2.4 above, we are assuming an interest rate of 3.00% even though currently prevailing PWLB rates for 40 year money are running at around 2.15%. The sensitivity below is run from the 3.00% base.

Sensitivity Analysis		Borrowing Rates		
		+ 0.50%	3.00%	- 0.50%
Rental Income	-5.00%	(616,994)	(217,582)	179,632
	-	(371,177)	28,235	425,449
	+5.00%	(125,360)	274,052	671,266

5.9.5 As can be seen from the tables above, these changes from the assumptions can have a significant impact on the annual revenue position of the scheme. It is worth noting that the borrowing rate assumption has the largest impact on the overall revenue position, and we have already built in a level of contingency to this assumption already.

5.9.6 Clearly, while there are also best-case scenarios in this analysis, the Council will want to protect taxpayers' interests by focusing on the worst-case scenarios, and challenge the robustness of the financial model presented in this FBC. In no particular order, the following assurance can be given in relation to the worst-case scenarios in the sensitivity analysis.

(a) Seeking professional advice/gateway review

In addition to the external professionals who have directly inputted to or advised on this FBC, a requirement of the OBC was that an independent gateway review would be carried out before approval was given to incur the final project delivery costs. This is still proposed (see recommendations and the covering report). The gateway review will be signed off by Cabinet and determine:

- Whether the final Council budget will be within the limits approved under this FBC;
- the latest position regarding external funding;
- the status of identified risks e.g. interest rates and inflation;
- the Council's approach to borrowing;
- the Council's approach to the management of cash flow risk;
- its precise role as developer; and
- the final internal layout and phasing of the proposed scheme.

(b) Partner input/Market testing

Public sector partners have been extensively involved in the recent stage of design and cost planning, so that we can be sure that the scheme coming forward will meet their requirements. They will also be asked to sign formal agreements in the next stage. Similarly, Carter Jonas have carried out soft-market testing.

(c) Contingency

The capital costs presented in the model include the recommended level of contingency and design risk allowances, and also reflect prudent assumptions e.g. the cost of borrowing. Equally, part of the contingency approach is in the form of prudent income assumptions, particularly the potential of renewable energy.

(d) Inflationary allowance

Similarly, an inflationary allowance has been made in the model, and this accounts for a large part of the capital change in costs since the FBC. It also highlights that delay in the project is one of its largest risks from this point, and is a reason to maintain pace with a deliverable core scheme before other partners have completed their own governance processes.

(e) Procurement method

As explained elsewhere a procurement strategy will be adopted which ensures the works are let to the market with the maximum efficiency and with flexibility over phasing and actual end fit-out.

(f) External Funding

It has been explained above that the baseline or worst-case scenario upon which this FBC is based assumes no external funding. However, from early conversations with funding bodies, there is every reason to believe that it will be able to attract funding when it is nearer to delivery and/or has planning consent. This is due to its national exemplar status and the benefits it will deliver in terms of the already adopted strategies of partners. The OBC provided considerable information in this regard.

Moreover, without that funding the full potential of the scheme envisaged in the OBC will not be deliverable and, if this FBC is approved, work will continue to ensure it is obtained. An entirely council-funded model is likely to require larger elements with full market rents and therefore may constrain the space finally available to public partners. In relation to skills, as providers are unlikely to have access to either capital to invest or revenue to pay rents, it will only be through external capital funding that some of the office space allocation could be installed as bespoke further education teaching facilities. Similarly some of the innovation in terms of how health and leisure facilities integrate may be dependent on external funding. As such, approving this FBC does not mean that the Council will neither need nor stop seeking external funding. In fact, keeping up the pace on the project and moving to the next stage is actually a means to the end of gaining that funding. In short, the Council will need to demonstrate its own confidence in the deliverability of the scheme in order to persuade others to invest (and overcome the Catch-22 situation of there being no project without funding and no funding without a project).

(g) Marketing Strategy

If this FBC is adopted, early work will commence on marketing the site to prospective commercial and other public tenants.

(h) Principles of the FBC itself

As described in the earlier sections of this report, the financial model is deliberately designed to be realistic and support deliverability, through:

(i) Assuming no external funding (see above)
(ii) Modelling high or mid-range estimates of costs and low or mid-range estimates of income
(iii) Adopting core principles for how public partners can participate in the scheme under the OPE Programme without any public body being required to subsidise another
(iv) Setting threshold levels of income so that the public partners are aware what is involved in signing-up
(v) Having a flexible core design which allows fall-back options if any partners pull out (see below).

(i) Phasing

The financial model and cost plan both take into account a phasing of the office elements, whereby they are only built to shell and core initially and then fitted out to Cat A when there is certainty they will be let. This is a deferral of cost rather than a saving, but it has a bearing on risk and cash-flow. Furthermore, it makes operational sense not to commission or start warranty periods for plant until it is needed. It also retains maximum flexibility in the scheme for future uses.

(j) Fall-back options: Design and use

As demonstrated in the OBC and in this FBC, the target 'PSV' scheme offers by far the greatest strategic benefits to the local community and it is only right, therefore, that the financial model is tested against this variant. Nonetheless, the scheme presented in this FBC is still very flexible. Please refer to Part C for an explanation of the various fall-back options. In simple terms, the Council will have decided whether to instigate one of these fall-back options or not before it commits to any main contracts with builders.

(k) Fall-back options: Delivery

As mention at 5.2.5 above, there are other funding models which could be explored to deliver the scheme. The council could also decide to sell the site with planning consent; and just build a new leisure centre with minimal space for public sector.

5.10 Wider Financial Benefits

5.10.1 This financial appraisal explains the business case for the Council as developer. Each partner joining the project will need to make their own business case. The experience of other hub projects, not least West Suffolk House, shows that the capital and revenue savings to taxpayers of moving to modern shared buildings can be significant, both immediately and in the long term.

5.10.2 In addition, there are a number of indirect financial benefits which could be generated by developing out the Western Way site. The most obvious is the potential for additional business rates from any new commercial occupiers, however this would only be a benefit if they were new business to the local authority area, rather than businesses that have relocated from other premises within the area which remain empty.

5.10.3 If there are vacated sites within the local authority area as a result of public sector organisations moving onto the Western Way Development, there is the possibility they could be developed into housing sites which would result in additional Council Tax receipts, as well as additional New Homes Bonus. With all the new occupiers within the site, there is increased opportunity for the Council to share/trade any of its surplus operational capacity, including support services, grounds maintenance, trade waste, etc.

5.11 Cost of not proceeding with scheme

5.11.1 If the Council decides not to proceed with the scheme in any way, then it is important to note that there will be a level of holding costs associated with the vacant buildings on the site. These will include business rates, site security and maintenance. Given the focus on the agreed delivery option in this FBC, these costs have not been estimated, but would be significant. These will also be revenue costs, which would have a negative impact on the Council's MTFS if they were to continue for a significant period of time. There is, therefore, no 'do nothing' option for the site.

5.11.2 Another option is to try and lease the depot in its existing form. There would be a considerable cost in converting and upgrading the buildings to get them to a state of repair that would enable them to be leased out. There has also been no analysis to see if there is a need for this type of building, in both use and size.

5.12 Conclusion

On the basis of the above appraisal, the financial objectives set in the OBC appear possible to meet, subject to the creation of the necessary safeguards, and the Council can move to the delivery stage of the project.

F. Management Case

(How are we going to manage the project?)

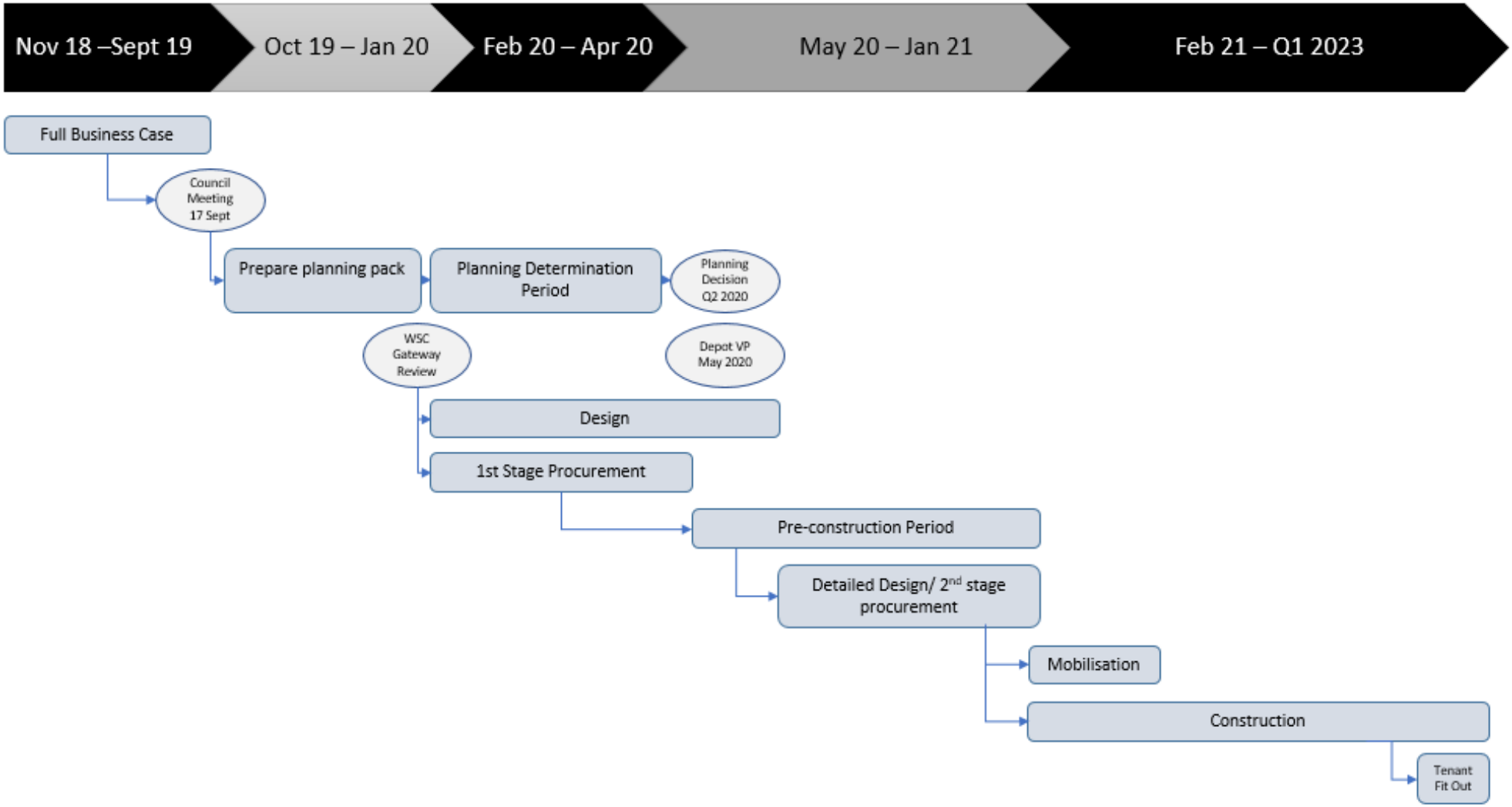
1. Programme and Phasing

1.1. A programme workshop for the Council project team was held in January 2019 which was used to form a summary programme from the end of the FBC process through to completion of construction and tenant fit outs. A detailed programme has been regularly reviewed and updated (and can be seen on request) but is just summarised overleaf for reasons of brevity. As explained in the Financial Case, the student accommodation is likely to be taken forward outside of this main programme.

1.2. The initial programme strategy has been based around the following key information and target requirements:

- Full Business Case developed from November 2018 to August 2019.
- On Council approval of the FBC the following activities can take place:
  - Submit planning application.
  - Contractor invitation to tender issued subject to gateway review and partner assurances
  - Commence detailed design.
- Vacant possession of the Depot in 2020:
- Construction works to completion in Q1 2023 allowing potential developer/tenant fit out ahead of occupation in Q2 2023.

1.3. A summary of the provisional programme is shown overleaf. As in any project, this is likely to evolve. However, it is important to note that this is the programme, with inflation assumptions, that is used for the cost plan in the previous section of this FBC. Since inflation is one of the largest risks in the project budget, it is therefore to maintain this programme as much as possible.


Nov 18 –Sept 19
Oct 19 – Jan 20
Feb 20 – Apr 20
May 20 – Jan 21
Feb 21 – Q1 2023
Full Business Case
Council Meeting 17 Sept
Prepare planning pack
Planning Determination Period
Planning Decision Q2 2020
WSC Gateway Review
Depot VP May 2020
Design
1st Stage Procurement
Pre-construction Period
Detailed Design/ 2nd stage procurement
Mobilisation
Construction
Tenant Fit Out

2. Project Execution Plan

2.1. A Project Execution Plan (PEP) has been developed for the project and will be further developed following approval by Council to proceed. This will be developed by the Project Manager with the input of the whole project team.

2.2. The purpose of the PEP is to set out the project and the processes and procedures that are to be followed to enable a successful outcome. This document is forward looking with more emphasis on the upcoming activities and is a living document that will evolve over the project lifecycle

2.3. The PEP is reviewed monthly and updated to reflect the stage of the project. More detailed information will be incorporated into the PEP following planning approval and at the start of construction.

2.4. The PEP provides the basis for the management of the project and sets out:

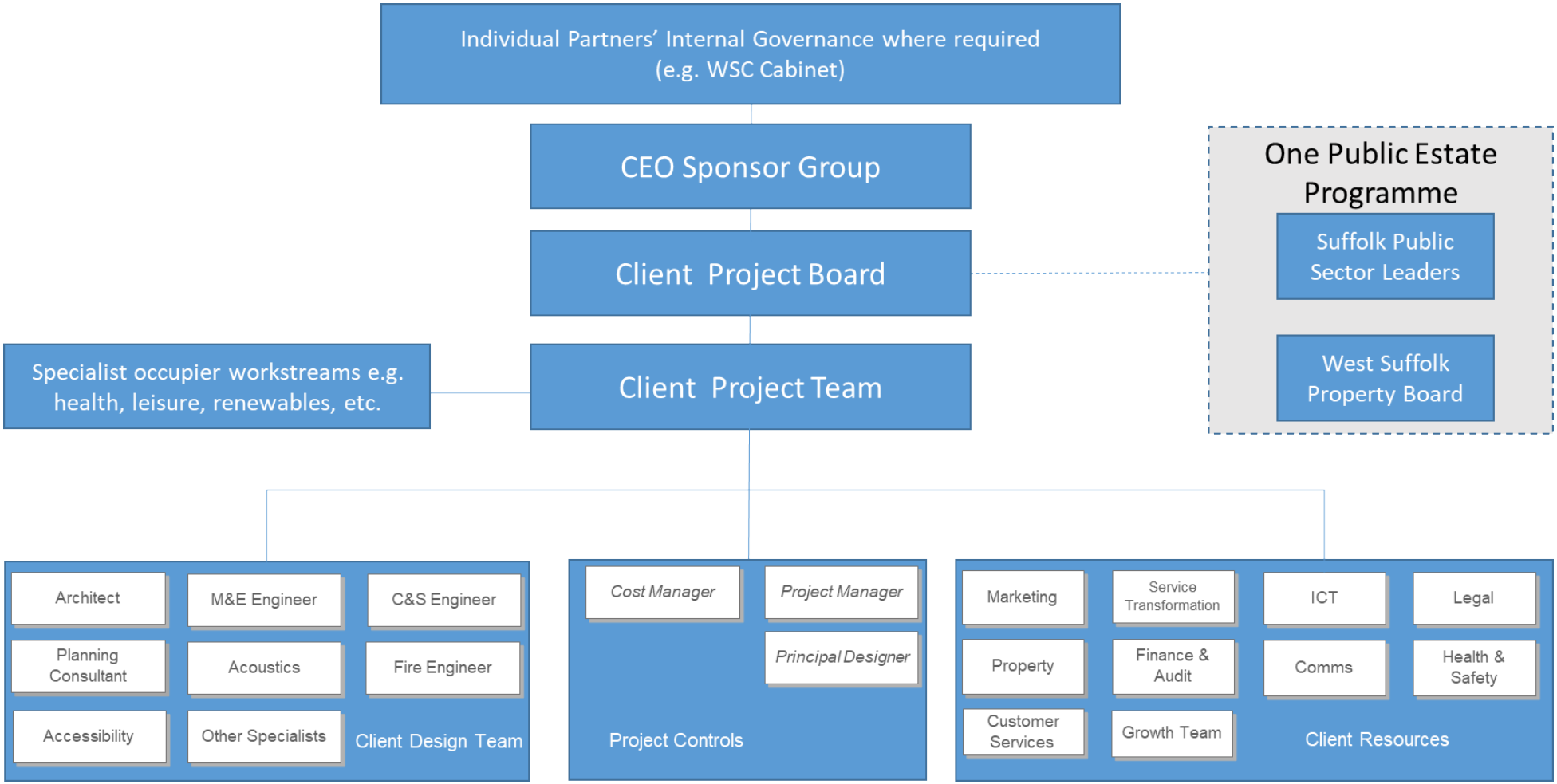
- Governance protocols;
- Gateway Approval process;
- Communication protocols;
- Project Organisation;
- How design is managed;
- How the programme is managed;
- How risk is managed; and
- Change management procedures.

2.5. The structure of the project's governance is shown in the organogram overleaf. Taking each element in turn:

(a) At the delivery stage, as other organisations sign up formally, the project will become a partnership and the Council will share the formal developer role. Notwithstanding the project's own governance, each partner will continue to have its own internal due diligence requirements and certain strategic-level decisions may still need to be referred back to **Individual Organisations** by the Project Board from time to time, in accordance with their constitutions, etc. From the Council point of view, political input to the project will also be provided by the relevant Cabinet Member(s) on a day-to-day basis, as well as through briefings for all councillors.

(b) The project already has a **sponsorship group** of public sector chief executives who oversee programme and provide strategic leadership. Their main role going forward will be to lead the system transformation that WWD will enable/require.

(c) The main project decision-making body, meeting monthly, will be the **Client Project Board.** The Board will comprise senior staff from partner organisations with delegated authority to oversee the project and make operational decisions within the parameters set by the partner organisations (e.g. the approved budget).


Individual Partners' Internal Governance where required (e.g. WSC Cabinet)
CEO Sponsor Group
Client Project Board
Client Project Team
Specialist occupier workstreams e.g. health, leisure, renewables, etc.
One Public Estate Programme
Suffolk Public Sector Leaders
West Suffolk Property Board
Architect
M&E Engineer
C&S Engineer
Planning Consultant
Acoustics
Fire Engineer
Accessibility
Other Specialists
Client Design Team
Cost Manager
Project Manager
Principal Designer
Project Controls
Marketing
Service Transformation
ICT
Legal
Property
Finance & Audit
Comms
Health & Safety
Customer Services
Growth Team
Client Resources

(d) The day-to-day delivery of the project will be led by a **Client Team**, including not only the appointed project manager but also, for the Council, a senior lead officer who will work full-time on the project. The cost of this resource is included in the cost plan.

(e) The Client Team will link directly to the Contractor but also oversee the work of the **design team, project control functions** and also the **Council's own resources** for the project, ranging from marketing of the commercial spaces (likely to be carried out by agents) through to the legal work required for contracts and leases. The expected costs of this resource are included in the cost plan in this FBC. In addition, there may be opportunities to share this cost with partners, for instance appointing a shared lawyer.

(f) Feeding into the Client Team will also be **occupier workstreams**, to ensure the specialist technical requirements for different parts of the building are met. Health, leisure and renewables would be good examples. The NHS has already engaged the services of specialist consultants to help it identify its own requirements and prepare an outline business case, overseen by a Health Facility Operating Group of NHS professionals. This will continue.

(g) As part of the **One Public Estate Programme**, the project will also need to link into the governance for that. This will be by reporting to the West Suffolk Property Board which oversees OPE in this part of Suffolk, and in turn reports upward to Suffolk Public Sector Leaders if strategic input is needed.

3. How is risk managed

3.1. This project will control risk by a process of identification, analysis and management. The Design Team, as a matter of course, will identify the risks of the project as the project develops through the design process. The Project Manager (PM) will lead risk workshops held to identify perceived risks and produce the Risk Register with support from the project team. Formal reviews of the Risk Register (see Appendix 3) will take place on a regular basis (at intervals no greater than three monthly). High risk areas are to be discussed at the monthly Project Board meetings. Up until the construction contract is signed, the PM is responsible for maintaining the project risk registers.

3.2. The Project Manager will schedule risk workshops during the remainder of RIBA Stages 1 – 4, and the Design Consultants will be asked to identify project risks and agree joint Risk Management strategies to manage these out in the design.

3.3. The Cost Manager quantifies the anticipated financial impact of the risks contained in the risk register to arrive at the project VaR (Value at Risk). This is achieved by assessing the likelihood of a described event occurring, its financial impact and its impact on quality. These assessments will then be used to arrive at a quantified assessment of the risks faced by the project.

3.4. The quantified risk analysis will be used to inform the current contingencies held in the budget so there is a financial incentive to mitigate or reduce as much risk as possible.

3.5. Health and safety risk will be managed through design reviews; the production of pre-construction information; scrutinising the records of the tendering contractors; and implementation of a robust system of risk assessment of construction activities supported by method statements for all work.

3.6. At the point of signing the building contract, the management of risks will pass to the contractor. However, under the proposed form of contract, all parties to the contract have a responsibility to manage risk. The contractor owns the risk register, but the project manager will hold regular risk reduction meetings with the team in order to proactively manage project risks.

3.7. In addition to these formal risk management measures and the inclusion of a contingency budget, the project also benefits from the fall-back options made possible by the flexibility of the core design.

3.8. As explained in the Economic Case, public sector partners will also be required to sign up to formal agreements in the next stages of the project to define their requirements, share ongoing costs and cover abortive costs if they pull out, This will need to take place before the Council can incur the cost of work on their behalf, particularly on preparing the detailed designs for the tender pack, which on a project of this scale could cost several million pounds in total.

G. Next Steps and Recommendations

1. Approving this FBC will take the project forward to delivery which will require a complex and long-term programme. The next steps are as explained in Part F. Alongside preparation of the planning application to reflect the outcome of the public consultation and initial work on procurement, there will be a focus on getting partner sign-up and making external funding bids. Marketing of the scheme to the commercial sector will also begin.

2. Work on the target PSV model will also be dependent upon partners:

    - agreeing to fully fund the cost of the advice needed to deliver their own specific requirements (up front or recovered through rents); and
    - entering into the necessary agreements at the appropriate time to confirm their final requirements for phase 1 and to meet abortive costs if they pull out of the project.

3. As with any capital project, if Council approves this FBC then nearly all future operational decisions on its delivery will be taken within the framework set by the FBC and the Council's Constitution. This is how the Mildenhall Hub project has been delivered. This will include decisions regarding the final mix of uses, choice of procurement method and project phasing and the making of all necessary legal agreements. The project will only return to Cabinet or Council for fresh decisions if there are changes to what has been set out in the FBC or it goes outside of existing authorities in the Constitution; for instance the upper limit to the capital expenditure. Similarly, as explained, the pre-school and student accommodation elements of the project may require later councillor decisions. As would any later proposals received from partners to enter into land-swaps or sales of their vacated sites involving the Council arising from the existing Memorandums of Understanding. However, councillors will be kept closely informed so that they can monitor progress and provide their own input at the relevant times.

4. The structure of the recommendations below is intended to strike the necessary balance between:

    - ensuring a return on the investment in the project to date;
    - maintaining the necessary pace on the project to mitigate certain risks;
    - allowing the Council to confidently seek partner sign-up and external funding; and
    - ensuring that the Council does not expose its taxpayers to unnecessary financial risks by getting ahead of the funding of other partners.

    This points to a strategy of seeking planning consent but putting in place significant safeguards, as outlined in recommendation (5).

5. 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.

6. If the Council did not wish to agree the above recommendations in full, it is suggested instead that, for the reasons set out in Part C of the FBC, recommendation (3) above still be approved at this meeting along with authority for the necessary project funding to achieve that outcome (£300,000). Alternative delivery and/or disposal models can then be sought in parallel to seeking planning consent. Similarly, recommendations 8 and 10 regarding the leisure centre should still be considered for approval since this matter will need addressing irrespective of the WWD scheme.