

Western Way Development, Bury St Edmunds

Report No:	CAB/WS/20/013	
Report to and date/s:	Cabinet	14 January 2020
Cabinet Member:	Councillor Joanna Rayner Portfolio Holder for Leisure, Culture & Community Hubs Tel: 01284 750366 Email: joanna.rayner@westsuffolk.gov.uk	
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Decisions Plan: The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is a Key Decision and is included on the Decisions Plan.

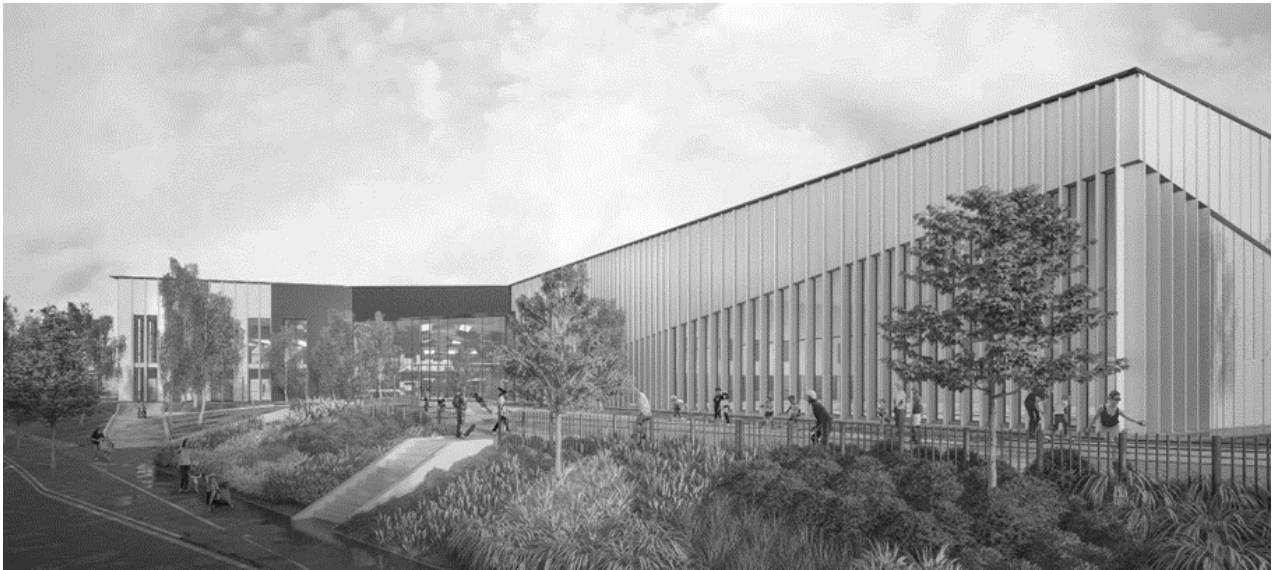
Wards impacted: All wards

Recommendations: It is recommended that:

- 1. subject to resolution 2. below, the external assurance review for the Western Way Development carried out between November and December 2019 be deemed to be satisfactory in terms of progression of the project on the basis approved by Council on 19 September 2019;**
- 2. the action plan set out in Appendix 1 to Report No: CAB/WS/20/013 address the key findings of the review be approved and implemented;**
- 3. subject to resolution 2. above and the existing conditions approved by Council on 19 September 2019 being met, the Director be authorised to:**
 - a. adjust the final phase 1 scheme for a replacement leisure centre, the new public service hub and their supporting infrastructure in consultation with the Portfolio Holder and the Council's Section 151 Officer so that it continues to meet the objectives set out in the Final Business Case; and**
 - b. commence procurement work for the parts of this phase 1 scheme in respect of which the necessary safeguards to the Council are in place; and**
- 4. subject to planning consent being secured, the final award of contract(s) prior to works starting on site be subject to approval by Cabinet.**



1. Background / Context



Visualisation – Western Way frontage



- 1.1 In September 2019 the final business case for the Western Way Development (WWD) was unanimously approved by Council. There were two central decisions taken by the Council at that time.
- 1.2 Firstly, the Council, as landowner, agreed to seek planning consent on a scheme which would deliver the aspirations of the approved masterplan to its fullest extent. This application has now been submitted. At the time of writing this report, the application is still subject to consultation and determination by the Local Planning Authority in 2020. As such, it is not appropriate or intended to discuss the planning merits of the project in this report or at this meeting.
- 1.3 Secondly, also in its capacity of prospective developer for Western Way, the Council agreed to progress the delivery of the project subject to certain tests and conditions being met (in addition to achieving planning consent).
- 1.4 Under the terms of that Council decision, Cabinet is now authorised to deliver the project described in the final business case, and seek external funding, without reference back to Council provided that:
 1. before any work commences on tendering:
 - a. the project will have undergone an assurance ('gateway') review by an independent external expert;
 - b. any public sector partners wishing to take part in phase 1 of the project will have entered into formal agreements to confirm the basis on which they will occupy the WWD and to

indemnify the Council for their share of its abortive costs if they subsequently withdraw or substantially reduce their requirements; 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 the Final Business Case;

2. various financial tests are met, namely:

- a. the Council's capital expenditure being capped at the agreed maximum amounts (£112 million for the new hub element and £27.9m for the leisure centre);
- b. the hub element being capable of achieving at least a break-even position over the whole life of the project;
- c. the cash flow risk being managed; and

3. the most beneficial and economic funding method for the project is identified, including entering into agreements with third-party investors if required.

1.5 Since September 2019, the following steps have been taken to ensure the project can remain on track if planning consent is achieved:

- a. Property and development specialists, Rider Levett Bucknall UK Limited (RLB), were appointed by competitive tender (assessing price and quality) to carry out the external assurance review. RLB are a global and independent organisation in cost management and quantity surveying, project management and advisory services. They have worked with numerous governments and other stakeholders of major public and civic projects, and have a clear understanding of the processes, regulations and requirements to ensure project success.
- b. Further discussions have been held with potential partners, occupiers and funders.
- c. Further work has taken place to refine the financial model and to consider the internal layout of the scheme so that it reflects the feedback received the pre-application consultation and the latest requirements of potential occupiers (*N.B. this work does not affect determination of the planning consent*).

1.6 This report updates Cabinet on these three areas of work.

2. Project update and proposals

External assurance review

2.1 Council agreed in September 2019 that a focused piece of assurance work should be carried out for the WWD project before moving to any tendering

stage. The brief for the appointed consultants, RLB, was therefore to cover the following aspects of the project where the risks were perceived to be highest at the final business case stage:

- a. Council's likely role as developer;
- b. project risks and governance;
- c. likely phasing of the proposed scheme;
- d. latest position regarding external funding;
- e. Council's likely approach to borrowing;
- f. Council's likely approach to the management of cash flow risk; and
- g. whether, as a result of the above, the final Council budget is likely to be within the limits approved under the final business case.

2.2 As well as drawing on the experience of RLB themselves, particularly in relation to NHS linked projects, the review involved a desk-top review of all the relevant project documentation supplemented by interviews with the project team and with a representative group of key internal and external stakeholders.

2.3 Having concluded their review in December 2019, the report of RLB is provided for councillors only as an exempt appendix to this report (Appendix 2). It is exempt because it not only contains information about the financial and operational interests of third parties (given in confidence) but also because it identifies the potential negotiating position of the Council in future contractual matters, which could compromise the financial interests of the taxpayer. As such, the full report is a commercially sensitive document. Nonetheless, to ensure full transparency, its findings can be shared in this covering report below.

2.4 RLB's overall conclusion for their review was:

"The review has not identified any reasons to cease the project or to reduce the rate of progress. A number of recommendations are made....These can be addressed as the project progresses, however progress in their implementation should be monitored and if they are unable to be adequately progressed the impact on the project and its speed of implementation should be reviewed."

2.5 Appendix 1 to this report contains the full and verbatim recommendations received from RLB. These are provided in the form of an action plan to ensure each recommendation is acted upon and monitored as suggested by RLB.

2.6 In addition, RLB's main findings can also be very briefly summarised as follows. Where appropriate the required mitigation for these issues is included in the action plan set out in Appendix 1:

- Given its scale, the WWD is an innovative development with clear strategic benefits and, given those potential benefits, enjoys broad based support locally, regionally and nationally from within the Council and among key partners.



- The bringing together of several public sector bodies with different capital and revenue funding arrangements and widely varying governance requirements will be challenging.
- The governance of the project is appropriate to the size and scale of the project and partner organisations are engaged at senior levels.
- There are likely to be significant community and environmental benefits to re-using the steel frame and concrete slab of the existing building.
- The Programme and Phasing strategy are realistic. However, the scale of the building might need to be reviewed if there is a significant reduction in the requirements of key partners in the project.
- Delivery of the proposed travel plan will require strong leadership from the Council as well as buy-in from partners.
- The costs of the project are realistic, albeit at the lower end of normal ranges. RLB have therefore made recommendations about the treatment of the project contingency and how to manage the initial cashflow of the project.
- The Council is undertaking a project that is of a larger scale and ambition than it has previously delivered. The scale of the risk is commensurate. Although the understanding of these risks is generally good, the Council should: actively manage these defined risks; prepare contingency plans; and also quantify the wider socio-economic benefits which are the main reason the project is being pursued.
- There are no obvious alternatives to Public Works Loans Board funding at the current time. As such, there is no option which appears to offer a reduced financial risk to West Suffolk Council other than increased capital contributions from partners or grant funding.

2.7 As can be seen, many of the points raised through the review serve to reinforce the importance of the tests and safeguards that have already been put in place for the project (see section 1.4 above). However, some new risks are also identified. Therefore, through the RLB report, the Council is able to refine its risk appraisal of the project before taking the next steps.

Next steps for project delivery

2.8 As set out in section 1 of this report, RLB's review is only one of the tests that Council put in place in September 2019 to act as a gateway to the next stage of the project. Those other tests still have to be passed. Not least gaining the formal commitment of partners before further design work takes place; the importance of which is also reinforced by the RLB report.



- 2.9 However, there were also other gateway tests to pass in respect of the project finances. The RLB review and the resulting action plan will assist with this, and the wider mitigation of project risks.
- 2.10 Subject to implementation of the RLB recommendations, it is therefore concluded that the outcome of their external assurance review is satisfactory and that there is no reason to change the existing delegated authorities and safeguards put in place for the project by Council in September 2019.

Further discussions with partners and funders

- 2.11 The external assurance review included interviews with some of the partners and this is summarised in exempt Appendix 2.
- 2.12 As previously mentioned, the phase 1 space requirement of partners, and their ability to indemnify the Council for any abortive costs, remain a condition for their involvement in the next stage of the project. A draft partnership agreement was sent to all partners for consideration in November. This will be followed up with individual and collective discussions with partners. Given the financial risk to the Council in its developer role, if partners are unable to provide assurances in January 2020 the project will either have to proceed without their elements in phase 1, or will be delayed overall, as per the September 2019 Council decision and delegated authority to Cabinet.
- 2.13 As reported in September 2019, the New Anglia Local Enterprise Partnership (NALEP) is very supportive of the project but, until there is clarity on the next Comprehensive Spending Review from central government, it is not expected to be possible to establish whether and how the Council might be able to bid for direct LEP funding.
- 2.14 Informal conversations have also been held with a small number of prospective commercial partners. These have indicated some potential interest in the project. However, it is too early in the project for commercial organisations to commit and the plan is still only to start formal marketing if the planning process is successfully concluded. Nonetheless, this does reinforce the findings of the market appraisal report produced for the Council at the final business case stage.

Likely evolution of internal design and layout

- 2.15 Further discussions with partners have clarified their likely requirements in terms of the potential internal layout of the hub building and also what multi-purpose shared facilities might be part of it. This information complements the excellent feedback received from the community and staff in the pre-application consultation.
- 2.16 Clearly, the internal building design will continue to evolve as requirements and phasing become clearer. However, it is already evident that:
- a. there is greater scope to blend the health, advice and leisure facilities to maximise service outcomes and reduce running costs;

- b. there is greater scope to make use of the public access facilities in West Suffolk House as part of the overall strategy for providing integrated advice services on the site as a whole. As such, a greater allowance may be made for minor adaptations to the ground floor of West Suffolk House in the project budget (but staying within the existing approved budget limits);
- c. the proportion of central areas of the new Hub which will have public access during normal working hours can potentially be increased, allowing even more flexibility in how the operational facilities on the ground floor are configured.

3. Alternative options

- 3.1 These are pre-approved steps to deliver the project and each piece of work includes an options appraisal where required.

4. Consultation and engagement

- 4.1 The future development of the project will be informed by earlier and ongoing consultations with the public, key stakeholders and partners, as detailed in this and previous reports, and reflecting the action plan to address RLB's recommendations.

5. Risks

- 5.1 The purpose of the external gateway review was to examine key project risks. The main project risks remain those which were detailed in the Final Business Case and a project risk register will form part of the ongoing project governance. A risk appraisal is also provided in this report for the action plan in relation to the assurance review.

6. Implications arising from the proposal

- 6.1 Most relevant implications are already covered in this report or the outline and final business case reports where applicable. However, it is worth clarifying that this report, and the recommendations within it, do not change the project's financial implications or delegated authorities which were approved by Council in September 2019. If they did need to be changed, the project would be referred back to Council.

7. Appendices

- 7.1 Appendix 1 - Action Plan for WWD Assurance Review
Exempt Appendix 2 - External Assurance Review by RLB

8. Background documents

- 8.1 [Final Business Case for WWD, September 2019](#)
[Outline Business Case for WWD, October 2018](#)

