

Western Way project

Report number:	CAB/WS/23/014	
Report to and date:	Cabinet	14 March 2023
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Decisions Plan: The decision 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 included on the Decisions Plan.

Wards impacted: All wards

Recommendation: It is recommended that:

- 1. subject to completion of heads of terms with Suffolk County Council for their elements of the phase 1 scheme, the Western Way project proceeds to second stage tendering, and its final gateway test, on the basis that all of the financial tests and safeguards required by Council in December 2022 are still capable of being met; and**
- 2. the final budget for the phase 1 Western Way scheme and for interim works to the remainder of the site, including enabling works, remain as agreed by Council in December 2022.**

1. Context to this report

- 1.1 In December 2022, Council approved an updated business case for phase 1 of the Western Way (WW) project in Bury St Edmunds and agreed that Cabinet could deliver the scheme provided it passed two further gateways. This report covers the first of those two gateways. The second gateway, and the final decision to proceed with the scheme, will not be considered until late summer 2023 at the earliest.
- 1.2 No background information on the project is contained in this report as this has been extensively provided in earlier reports (see background information). Similarly, this report does not revisit earlier decisions taken by Council on the project.
- 1.3 This report does not cover phase 2 of the Western Way project. As agreed by Council in December 2022, this would now be an entirely separate project requiring a new business case in 2024 and a new decision by councillors.

2. Proposals within this report

2.1 Project gateways and financial tests

- 2.1.1 In December 2022, Council agreed a new budget framework for the Western Way (WW) project to reflect a new phased delivery. In summary, at the time the main construction contract is signed in late summer/early autumn 2023, the Phase 1 scheme must now:
- a. cost no more than £65 million in total (excluding the £10 million of interim works to the remainder of the WW frame/site as set out in paragraph 2.1.3);
 - b. not increase the Council's existing Medium Term Financial Strategy (MTFS) provision of £724,000 for Bury St Edmunds Leisure Centre; and
 - c. in relation to other ancillary elements of the new hub, be capable of achieving at least a break-even position over the whole life of the borrowing (40 years).
- 2.1.2 If those tests are met, then Council has authorised the project to proceed under the normal constitutional provisions.
- 2.1.3 In addition to the phase 1 scheme defined in the December 2022 update, Council also authorised a further capital allocation of up to £10 million for interim works to the remainder of the WW frame/site. These works were to ensure that the full scheme with planning consent is deliverable in a later phase but also that any holding costs are minimised (and immediate benefits are taken for example, renewables income). This was also

approved on the basis of at least a break-even income position over the life of the borrowing.

2.1.4 Finally, Council approved interim or enabling works ahead of the main contract for phase 1 of WW. But only provided that these works would increase the commercial value of the site irrespective of whether the WW project proceeds or not. This cost would be financed from within the new combined WW capital budget of £75 million. However, as they would constitute normal asset management decisions (including delivering invest to save and earn outcomes) and weren't dependent on the WW project proceeding or not, Council agreed that any enabling works could be authorised by officers in consultation with portfolio holders. As such they are not covered by this report (and will progress or not separately).

2.1.5 To manage the process up to the point of contract signing, Council also agreed two new project gateways:

	Design and Procurement	Partner sign-up	Target Date and Governance
Gateway 1	Sign off RIBA 4 "developed design" and final budget prior to full second-stage market testing and procurement of works packages	Heads of terms (Suffolk County Council (SCC))	March 2023 Cabinet decision provided tests set by Council on 13 December 2022 are met
Gateway 2	Sign off final Contractor's Proposals and enter into Contract	Pre-let agreement (SCC)	Late summer 2023 Implemented by officers in accordance with the Council's Constitution and in consultation with designated portfolio holders provided the 2 nd stage tender figure is within the limit agreed by Cabinet at Gateway 1

2.1.6 In simple terms, this means:

- **Gateway 1**, March 2023 (this report): Cabinet will decide if it is appropriate to proceed to second stage tendering applying all the tests set out in paragraphs 2.1.1. to 2.1.5 above.
- **Gateway 2**, Late summer 2023: Officers in consultation with Cabinet Members will identify if the contract can be signed under delegated authorities. If the final contract sum is not within budget at Gateway 2, then the project will be referred back to Cabinet in the first instance and, if required by the Constitution, to Council.

2.1.7 The reasoning for this approach explained in December 2022 was that, by March 2023, the decision of Suffolk County Council (SCC) on their two elements of the scheme will be known and all if not the majority of the RIBA Stage 4 technical design for phase 1 will be complete. Furthermore, under the Pre-Construction Services Agreement, there will already be a detailed target cost plan for the scheme developed with the preferred contractor after early soft market-testing with their supply chain. As such, it will be fairly binary from this point onwards whether the Council will be in a position to sign a contract in the summer or not i.e. the formal procurement and contract negotiation will come in within budget or it will not. Which is how large Council capital projects are conventionally managed within the Council's constitution i.e. Council approves a business case and final budget and the project is then implemented within those boundaries by Cabinet and officers. However, if the budget cannot be delivered, the project would simply be referred back to Cabinet/Council as required.

2.1.8 There are therefore two main questions for Cabinet to consider as part of gateway 1:

- a. Is the budget approved by Council still sufficient i.e. are we meeting the financial tests still?
- b. Is it reasonable to proceed to second stage tendering and, ideally, to gateway 2?

2.2 **Revenue business case and budget**

2.2.1 The December 2022 report (see background papers) contained a revenue model which examined likely income and savings, but also the costs of borrowing. It also provided the specification for the phase 1 hub at WW and likely works to the remainder of the site/frame.

2.2.2 There have been very minor adaptations to the specification for phase 1 agreed by Council in December 2022 as the design has continued to evolve. The only notable change is that the main sports hall will be slightly larger to take advantage of some additional space in the phase 1 frame at very low marginal cost. Therefore, the scheme is essentially the same in terms of revenue generation potential. This design continuity means that there is no reason within three months to change the projected income and savings in the December report. Similarly, there is no reason to change the borrowing cost assumptions used.

2.2.3 It is worth recording that, in developing both the facility mix and business case for the new Western Way leisure centre, existing and potential future competition in the local market was taken into account. We will continue to keep the market conditions under review as we progress with Western Way and adapt to new competition. The centre has been designed with flexibility at the forefront to respond to changing trends and demands but

is also required to meet the wider community requirements that are unlikely to be fulfilled by private providers.

Accordingly, the revenue side of the financial model remains the same. Which, in turn, means that what the Council can afford is not changed since December 2022. And, in turn, this sets a very clear break-even budget test for gateways 1 and 2 ¹, namely:

- a. £61.15 million is available for West Suffolk Council's elements of the phase 1 hub after taking into account known capital funding, Suffolk County Council's contribution, existing provision for the leisure centre replacement in the MTFS and borrowing supported by estimated revenue;
- b. £8.5 million is available for interim works to the remainder of the site after taking into account borrowing supported by estimated revenue.

2.3 **Project status update**

- 2.3.1 As mentioned above, the phase 1 specification has not significantly changed since December 2022 when it was approved by Council. The majority of the RIBA 4 technical design for phase 1 is also now complete and signed-off, as planned, allowing a detailed target cost plan. Alongside more detailed costing, this finalised design will now allow the Council to seek permission from the local planning authority on the phasing of the existing planning consent, after which any further required changes to design will be made (and the final RIBA 4 design signed off in April). Very strong further value-engineering has also taken place since December, with more to explore in the next stages. Value engineering is about delivering the same scope and quality of building in a more efficient manner.
- 2.3.2 Packages of enabling works that could start in spring 2023 (and add value to the site whether WW proceeds or not) are being worked up for implementation under the existing authority from Council (see paragraph 2.1.4 above).
- 2.3.3 Suffolk County Council (SCC) has now formally agreed to relocate its archive branch in West Suffolk to Western Way. Provision for a pre-school in phase 1 of Western Way is due to be considered as part of the next Children and Young People's Directorate capital programme by the County Council's Cabinet on 21 March 2023. A contractual collaboration agreement covering abortive costs is in place with SCC. The required heads of terms

¹ Under the December 2022 Council decision (see para 2.1.1 above) there is still flexibility to vary the spending on phase 1 and the remainder of the frame/site up to the agreed caps for those two items (£65 million and £10 million respectively). However, this must meet the break-even financial test so would require a corresponding improvement in the revenue model before gateway 2.

with SCC will be signed by the end of March once there is final confirmation on the pre-school.

2.3.4 The small health and wellbeing centre which is included in the Council's phase 1 hub provision (to match those at other leisure centres) does not require partner sign-up for gateway 1 as this is either for use by the leisure provider or will be let at a market rent. However, the NHS continue to be engaged in its design given their strong interest in renting it (as a flexible, generic facility suitable for multiple uses).

2.3.5 As can be seen, therefore, all of the non-financial aspects of the gateway 1 review are being met.

2.4 **Capital costs**

2.4.1 As explained in the December 2022 report when the gateway tests were agreed, there will be no cost certainty on WW project until gateway 2 i.e. following formal market-testing and production of the final cost plan with the preferred contractor which would feed into an agreed contract sum. Only then would it be possible to decide if the Council's budget tests are being met.

2.4.2 All, therefore, that can be done in gateway 1 is to examine the latest available information on capital costs and assess whether, alongside a suitable action plan of mitigating measures, this indicates that, on balance, there remains a likelihood that the phase 1 scheme will be deliverable for the identified budget if we proceed to formal second-stage tendering. There are several ways to make this assessment:

- a. Benchmarking – to test our budget is right and offers best value.
- b. The latest cost plan – how close are we already to budget?
- c. The view of the preferred contractor on market conditions.

2.5 **Benchmarking**

2.5.1 Although the specification has remained largely the same for the Council's hub elements, the WW design has been refined considerably in the last few months as would be the case in any project. More clarity is also available to us now following pre-application conversations with the planning and highway authorities and the input of the preferred contractor and their supply chain. This makes comparison with previous cost estimates slightly difficult as this is an 'apples and pears' situation. Albeit the Council's budget has not changed.

2.5.2 Also benchmarking is not a precise science as it will tend towards an average price that no scheme is likely to deliver due to its unique local considerations or overheads (sometimes called 'abnormals'). But aligned with good contingencies and the recognised national inflation assumptions, it remains the best tool available to indicate likely prices ahead of the only real test of what a project will cost: formal market-testing. It can also be

carried out for different building types and within our own region. However, the multi-use nature of a single hub does require some assumptions about how to blend benchmarks.

2.5.3 Our preferred contractor, Morgan Sindall, has carried out its own benchmarking (see exempt appendix) which adds further assurance. But the main benchmarking has been carried out by the Council's own cost consultants, Currie & Brown, who have looked at:

- Sport England benchmark data
- Currie & Brown's own benchmark data as a national consultancy
- Building Cost Information Service (BCIS) benchmark data (the industry standard used on the project to date)
- Recent reference projects of similar nature in our region.

All of these benchmarks have to be carefully adjusted to reflect the differences between them and WW. For example, standard pool designs don't include 'fun features' like those planned for WW. And so on.

2.5.4 The phase 1 WW scheme is actually split into two quite distinct elements: a new extension which is now almost entirely for swimming; and the repurposed frame which is the multi-purpose hub. Taking them separately:

- a. Leisure centre extension (pool hall, etc):** Our net target construction cost², shared with the preferred contractor, at the time of the December 2022 report was £4,011.60 per square metre (m²) (adjusted for inflation). If the available benchmarks for swimming pools are adjusted for the WW abnormalities, a net benchmark price is £4,023.45 per m². So, our target budget is reasonable, and within 0.5% of the benchmark.
- b. Hub (repurposed frame):** This is far more complex as it is a mixture of leisure, offices, health and pre-school. Our net target construction cost was £2,018.90 per m². If the available benchmarks for the various elements are adjusted for the WW abnormalities, a net benchmark price is £2,066.15 per m². So, our target budget is reasonable, and within 2.5% of the benchmark.

2.5.5 If these rates are then added to the other project costs for WW, this situation can be summarised in the following update to a table taken directly from the December 2022 report which showed West Suffolk Council (WSC) elements and other phase 1 costs.

² This is not the full project cost which includes land costs, client costs, fit-out, preliminaries, etc. However, these costs are built into the table at para 2.5.5

	Indicative total capital budget December 2022	Benchmarking Appraisal, February 2023 (including overheads and WW abnormals)
Phase 1 Hub: WSC Elements		
Leisure centre and café (including acquisition costs and expected s106 funding)	£39.7m	£39.92m
Other Hub Elements: Health and well being facility, stores, ACL office, meeting spaces (including acquisition costs)	£5.7m	£5.84m
Remediation of council depot site	£1.1m	£1.1m
Phase 1 Renewables	£9.6m	£9.6m
Targeted further savings in second stage process	(£0.5m)	(£0.5m)
WSC Sub-Total	£55.6m	£55.96m

Phase 1 Hub: SCC Potential Elements (Appendix 2)		
Potential archive and pre-school (NB final sum subject to specification)	£5.4m	£5.50m
SCC Sub-Total	£5.4m	£5.50m

Total costs for Phase 1 Scheme	£61.0m	£61.46m
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Interim Works to the Remainder of Site	£8.25m	£8.25m
Grand Total for Three Separate Elements	£69.25m	£69.71m
Variance	£0.46m under i.e. budget is 99.34% of benchmark	-

- 2.5.6 The benchmarking figures demonstrate that, after adding the assessed abnormal costs related to WW, the target cost identified in December 2022 still sits within the benchmark data by less than 1 percent, i.e. it is not unreasonably low. Therefore, we can demonstrate value for money if these figures can be achieved. Whether or not they can be achieved is covered by the following two appraisals. But we can go into the second stage of

tendering knowing that we have a realistic budget based on all the information available to us.

2.6 Latest cost plan and action plan for gateway 2

- 2.6.1 The cost plan for the project is a dynamic document, prepared by our cost consultants (quantity surveyors) in partnership with the preferred contractor and design team during the Pre-Construction Services Agreement period. However, it is reactive to the latest design, which is also dynamic. So, there is a slight lag between the cost plan and the design, which is an important caveat to the information in this section.
- 2.6.2 At this stage of a project with a bespoke design, and requiring final value-engineering, it isn't unusual to be outside a target cost plan based on benchmarks. So, the question for gateway 1 is more whether we have a robust mitigation plan (as set out at section 2.6.8 below) in place to be assured that the target cost plan can be achieved and therefore it is worth proceeding to the second stage of tendering. This is a decision for WSC to make on its own but it can be seen in the following section of the report that the preferred contractor has also taken a view in terms of whether they wish to continue as well (knowing our budget).
- 2.6.3 For the purposes of WSC's decision, SCC estimated costs are also relevant even though SCC will underwrite them. For the simple reason that the project is the sum of its parts and if costs are unaffordable to SCC the project is not viable for WSC, and vice-versa.
- 2.6.4 The Council is given a range of scenarios for any cost plan reflecting a sensitivity analysis of various risks and provisional sums. And this is a hugely detailed document.
- 2.6.5 At the time of publication of this report, the latest cost plan for the phase 1 hub (WSC and SCC)³ is showing a mid-point variance of £1.57 million from the current capital budget (in a range from being £300,000 under budget to £3.45 million over). This puts the mid-point at just **2.57%** above budget ahead of further refinement and then formal market-testing.

³ The cost plan for interim works to the remainder of the site are not covered by gateway 1 since these are asset management improvements required regardless of phase 1 of WW going ahead or not. And may form part of the enabling works to the site in any event. However, at this stage the target cost is felt to be reasonable against benchmarks and the gateway 1 test would also be met.

2.6.6 Alongside the budget and benchmarking information this means the gateway 1 position at the end of February 2023 is:

	Maximum Budget based on latest revenue model	Indicative Capital Budget December 2022	Benchmark Price February 2022	Work in Progress Cost Plan (mid-range)
£ million	61.15	61.0	61.46	62.72
Variance £ million	-	(0.15)	0.31	1.57
Variance %	-	(0.25)	0.51	2.57

2.6.7 If there was no mitigation possible this would not pass the gateway 1 test. But Cabinet’s decision needs to be based on the adequacy of the action plan in place to address this gap. Just as has been the case at the earlier stages of the project. Knowing that more work is needed at this stage is also a better position to be in than finding out later. This will avoid any optimism bias in the project team (client and contractor), particularly given the project costs in the next stage for both parties. And it also reduces the risk of later, and costly, delay. It is also important, at this point, to view the gap as a percentage rather than a sum – it is a relatively small amount to save from a very large and multi-faceted budget.

2.6.8 The mitigation plan for getting the project back within budget for gateway 2 (and the basis for proceeding through gateway 1) is as follows:

- a. Understanding the view of the preferred contractor in respect of meeting our budget and their assessment of market conditions – see section 2.7.
- b. The budget already includes an assumption for making 1% savings in the second stage process in relation to the Council’s elements of the Hub (£500,000). This sum obviously now needs to be exceeded (whether through capital savings or extra income). To that end, there is already a long list of further value-engineering (VE) ideas to explore with the preferred contractor and their supply-chain in the next phase of discussions and market-testing. Not all will be possible to take and others are likely to be added. However, to show the potential of VE, the total list of potential savings identified since December is already over £3 million. There may also be scope in the coming months to increase the amount of lettable area (particularly in the health centre), creating additional revenue income, through further efficiencies in plant and circulation space. It may also be possible to find more beneficial revenue models for the 400m² or so of meeting and office space included in the December 2022 specification as “float”.

- c. The cost plan includes very prudent contingencies for project risks but also allowances for inflation based on BCIS estimates and provisional sums for certain items. As the design and conversations with regulatory bodies progress and the cost plan catches up to the design, it will become more precise, and also be easier to market-test.
- d. There is a large reliance on income from renewable energy in the budget and new technologies (net income of just under £1 million supporting £18 million of borrowing). For this reason, it is intended to provide a further independent opinion on this element of the project to inform the final gateway 2 test. This will only be possible when a preferred sub-contractor is on board and the design to be delivered is being discussed as part of the second stage tendering.
- e. Additional sources of capital funding may be achievable. A review of the latest forecast for s106 developer funding will be carried out before the gateway 2 test (for leisure but also in relation to the health centre if the NHS opt to rent it). WSC also has a strong record of securing Government Decarbonisation funding and we are ready to apply to future funding schemes, that are typically released with short deadlines.
- f. As mentioned in December 2022, there is scope for potential economies of scale from combining the phase 1 WW works with works to the remainder of the frame e.g. roofing and PV panels. This needs to be factored into the cost plan.

2.6.9 Taking all of these items together it is felt that reducing the gap of less than 3% between the cost plan and the available budget to zero by gateway 2 is feasible. A bigger risk is a loss of momentum insofar as inflation on the project is estimated at circa £30,000 per week and the latest projections are only that inflation will slow in the coming years (meaning prices will continue to rise). Therefore, any delay to the current programme may increase capital costs if the time can't be recovered elsewhere.

2.7 **View of preferred contractor**

- 2.7.1 The preferred contractor after first stage tendering is Morgan Sindall. Extremely good progress has been made with them in the first part of the PCSA period since spring 2021 and, like the rest of the project team, they are very committed to the success of the project. As demonstrated by the work done in late 2022 to adapt to the change in plans of the NHS and keeping the project on track with only a small delay.
- 2.7.2 To inform gateway 1, a progress report has been provided by Morgan Sindall including their appraisal of the market conditions likely to be experienced as we enter the formal second stage tendering. This is provided as an exempt appendix to this report given its commercial sensitivity.
- 2.7.3 However, in summary of that appendix, Morgan Sindall feel that the project is where it needs to be at this stage of the PCSA process. They also confirm

that they understand the Council's financial constraints and the budget limit for WW and are confident the target sum can be achieved by gateway 2 through continued close working with the Council's cost consultants and design team. This also reflects the outcome of their own rigorous cost testing and benchmarking against recently completed projects. It also takes into account the early market testing they have carried out with their supply chain (which indicates strong interest in the WW project) and their view on how construction prices will develop generally in the remainder of 2023.

2.7.4 While in no way the deciding factor for this gateway test, the preferred contractor's confidence in the project, and in the Council's budget, is nonetheless additional assurance for any wider decision by Cabinet.

2.8 **Project costs and deliverables**

2.8.1 The latest estimate of the costs to take the project from the Council's decision in December 2022 to gateway 2 is £2.3 million. This sum is included in the budgets above, and reflects the large amount of technical design work required to prepare the scheme for second stage tender, as well as project management fees, staff time and Morgan Sindall's PCSA fee. To reduce the risk of inflation, this work also has to be completed at pace. Although this amount forms part of the overall agreed capital budget allocated for the project, given that we are still at the pre-construction stage, this amount will continue to be underwritten by existing revenue reserves (the capital project financing reserve). This approach is designed to manage the revenue impact of potential abortive costs, should the project not proceed.

2.8.2 It is possible to pause the project (and project costs) between gateway 1 and 2 if a significant viability issue is identified that requires a referral to Council, and this is an important safeguard. However, it is important to see the pre-construction phase of the project as an asset in its own right. Insofar as the large majority of the costs being incurred are to produce a fully-designed, ready to tender scheme with planning consent. So, even if the gateway 2 test couldn't be met in 2023, then most of the spending to date on the project would only be abortive if the project was abandoned completely rather than just paused. This also means that completing the design work required before gateway 2 is an important outcome irrespective of the wider due diligence.

2.8.3 Similarly, commissioning enabling works to re-roof and install PV panels on the frame would still make sense from an asset management point of view irrespective of whether WW proceeds as a project in 2023 or not.

2.9 **Conclusion and reasons for recommendation**

2.9.1 In summary:

- Benchmarking suggests our budget is both reasonable and value for money;
- Our cost plan is already within 3% of the target budget with lots of options to control it through the mitigation plan;
- Our preferred contractor is confident they can hit the budget given their work to date on the project and the working relationships being developed; and
- Continuing to prepare a detailed design for the project is a worthwhile investment.

3. **Alternative options that have been considered**

3.1 The reports on WW to Council in 2018, 2019, 2021 and 2022 have covered the alternative options that were available as part of the process for choosing a preferred scheme and delivery approach. The scheme has also received planning consent and, by the nature of its design, provides significant flexibility going forward.

3.2 This report is not a final decision to proceed with the project, as this would follow gateway 2. If, ahead of gateway 2, there was a wish to significantly delay, change or cancel the project, Cabinet would need to refer that proposal back to Council with a new report examining alternative options. Those options are not re-examined in this report because Council has decided to proceed with the defined project specification for phase 1 subject to the gateway tests. This report therefore only considers whether the phase 1 project approved by Council in December 2022 can meet its gateway 1 tests.

3.3 In relation to the gateway 1 test, and this report, there is the option to decide it is not met at this stage. Cabinet could:

- a. Ask for more information. The information summarised in this report is the latest available information on the project at this defined gateway. This report and its action plan explains how this information will be refined ahead of the gateway 2 test.
- b. Defer the report until the cost of the project falls by 3% to come under budget at gateway 1. It is explained in the report why this variance is felt to be manageable. Deciding to defer for this reason would, in terms of potential benefits, be the same as proceeding into the next stage. Because the cost reduction could only be achieved by the action plan already defined in section 2.9 i.e. exactly the same work would be required. The net effect would also be the same cost-wise because the project team and preferred contractor would be able to request the same fees. The impact, however, would be to risk a potential delay to the overall programme because the start of formal second stage tendering

would be delayed by the need to formally sign off gateway 1 again. Inflation on the project is around £30,000 a week so this would simply increase the savings needing to be found to get the project back under budget at gateway 1. Hence the recommendation in this report.

- c. Pause the project. Unless Cabinet wanted to change the project itself (see 3.2 above), the effect of doing this would simply be to add significant cost to the new facilities through inflation, and jeopardise their viability, as well as obviously deferring the strategic benefits from them. There is no current forecast that construction prices will fall overall, only that inflation will slow. A significant delay could also trigger essential maintenance on the current leisure centre that might otherwise have been avoided.

- 3.4 Replacing the £75 million allocated to the Western Way Development in the proposed capital programme with a full refurbishment of the existing leisure centre (estimated in November 2022 to be a cost of £24.8 million) was considered and rejected as an option by Council in December 2022. If this option were pursued, the Council's revenue budget would need to be increased from the current annual provision of £724,000 built into the MTFs (starting in the financial year 2025 to 2026) to £1,116,000. This is because borrowing for expenditure on the existing leisure centre would need to be repaid over a 20 year period (the estimated remaining life of the building) instead of over 40 years, which is the typical borrowing period for new build properties. A newly built leisure centre as part of the Western Way Development would also benefit from the extensive renewable energy generation and associated income, which would not be possible to achieve on a refurbishment of the current centre.
- 3.5 Moreover, a refurbishment of the current leisure centre would only delay the requirement for a newly built leisure centre in Bury St Edmunds for up to 20 years, when the cost of building one is likely to be much higher than it is now. A significant refurbishment of the current centre would also require it to be closed for an extended period of time, which would have a substantial impact on both the customer base of the leisure centre as well as Abbeycroft as the leisure provider and is likely to cost the Council circa £1.5 - £2 million (through lost revenue to Abbeycroft) during the closure period.
- 3.6 While, under this refurbishment option, we would be able to commercially rent out the former depot element of the site (the former NHS logistic element is assumed to be potentially available under both options due to the phasing of the WW scheme), this would require extensive work to make it lettable including re-roofing, re-cladding, wiring, lighting and other services. After allowing for the repayment of those works, it is unlikely to cover the additional £392,000 per annum pressure to the budgets created by the refurbishment option (plus there would be a need to find the funding for the lost revenue during the refurbishment period).
- 3.7 Pursuing this refurbishment option would also lead to the costs incurred on the project to date being abortive, as the majority of the work on WW would

not be transferable. Costs incurred since the final business case update in June 2021 that have not been met from grants or partner contributions total £1.65 million. These costs have already been underwritten by the Council's revenue reserves. If the project were to be pursued to the end of gateway 2, this amount would increase by the aforementioned £2.3 million to a total of £3.95 million.

- 3.8 It is for these financial reasons that the asset management case within the WW business cases (and subsequent reviews) has always recommended the new build option. In addition to the financial case, refurbishing the existing leisure centre would mean that the town retained a centre which needs assessments show to be too small, particularly for swimming, for a further 20 years. Also the chance to build a larger, better and more integrated hub facility would be missed.

4. Consultation and engagement undertaken

- 4.1 The wider project has been and is subject to extensive consultation. In relation to this gateway test, consultation has taken place with the members of the Cabinet, partners and other key stakeholders.

5. Risks associated with the proposals

- 5.1 A detailed risk assessment was provided as appendix 4 to the December 2022 Council report and this still applies. Risks associated with this decision and alternative options are explained in the report itself

6. Implications arising from the proposals

- 6.1 Financial – explained in the report
- 6.2 Legal compliance – no new implications
- 6.3 Personal data processing – not applicable
- 6.4 Equalities – no new implications
- 6.5 Crime and disorder – not applicable
- 6.6 Safeguarding – not applicable
- 6.7 Environment or sustainability – only applicable if project is delayed
- 6.8 HR or staffing – not applicable
- 6.9 Changes to existing policies – not applicable
- 6.10 External organisations – explained in the report and section 4.

7. Appendices referenced in this report

- 7.1 Exempt appendix: Update from Morgan Sindall

8. Background documents associated with this report

- 8.1 Outline Business Case for WWD, October 2018
- 8.2 Final Business Case for WWD, September 2019
- 8.3 External Assurance Review, January 2020
- 8.4 Final Business Case Update and Review, June 2021
- 8.5 Project Review, December 2022
- 8.6 All five documents above can be found at www.westsuffolk.gov.uk/wwd