

BABERGH DISTRICT COUNCIL

TO: CABINET (BABERGH)	REPORT NUMBER: BCa/22/14
FROM: Cabinet Member for Economy	DATE OF MEETING: 08/07/22
OFFICER: Fiona Duhamel	KEY DECISION REF NO. CAB335

HAMILTON ROAD QUARTER (SUDBURY) REGENERATION SCHEME

1. PURPOSE OF REPORT

- 1.1 To report a draft masterplan for a two-phased mixed-use regeneration scheme at Hamilton Road/Borehamgate area of central Sudbury. This follows design works undertaken by KLH Architects for Babergh District Council from early April 2022.
- 1.2 To seek Cabinet approval of funding for progressing this work, following public exhibition engagement in June 2022 on the draft masterplan, for its next stage of design works and associated programme delivery milestones.
- 1.3 To note the linked Levelling Up Fund (Round 2) bid submitted by Babergh District Council's Regeneration Team, in collaboration with Suffolk County Council Highways Authority, for a package of regeneration and local transport (bus route) improvements in Sudbury, which includes the HRQ regeneration scheme.

2. OPTIONS CONSIDERED

- (a) **Reverse the previous decision of Cabinet.** Not recommended. Cabinet at its meeting of 13 September 2018 (Report B/Ca/18/34 refers) resolved a preferred regeneration option (cinema and mixed-use development) and approved an associated development prospectus. The reason for this decision was to assist the opportunity, within Sudbury, to gain much needed investment to deliver part of the Councils Vision for Sudbury, with the development of the Hamilton Road Quarter.
- (b) **Repeat re-marketing of the site based on the 2018 prospectus.** Not recommended. The market has consistently failed to respond to the opportunity to invest and bring forward the site, due to the site complexities including bus station needing to be relocated to on-street stops.
- (c) **Babergh District Council continue to de-risk the site for investment and seek to secure a development partner (retaining flexible options on the type of delivery model to be used).** This work to include developing all relevant strategies for site consolidation and assembly, design masterplan and viability appraisals for delivering the required mixed-use leisure-led regeneration. Recommended option.

3. RECOMMENDATIONS

RECOMMENDED TO CABINET

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| <p>3.1 That Cabinet endorse 'in principle' the draft masterplan scheme design layout attached as Appendix A.</p> <p>3.2 That Cabinet confirm its preference for a two-phased approach towards developing the whole site, including its preference to explore a partnership with Babergh Growth Ltd to deliver Phase 1 of the site - which would be primarily residential.</p> <p>3.3 That Cabinet approve up to a maximum of £500k from the strategic priorities reserve, with all capital elements funded from the capital regeneration fund. This would be used for progressing the regeneration scheme design to RIBA 3 Stage equivalent. It would also include the development of a high-level cost plan and property and development strategies, including spatial co-ordination, as part of a full business case to be presented to Cabinet later in the year.</p> <p>3.5 That the Assistant Director for Economic Development and Regeneration be delegated authority to agree heads of terms following any successful negotiations with Babergh Growth in respect of delivering Phase 1 of the site.</p> <p>3.6 That Cabinet note the summary information contained within Appendix B to this report relating to the Council's re-submission of proposals to UK Government for Levelling Up Funding at Round 2 stage.</p> |
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REASONS FOR DECISION

1. This decision will assist the opportunity, within Sudbury, to gain much needed investment to deliver part of the Sudbury Vision Programme, with the development of the Hamilton Road Quarter.

4. KEY INFORMATION

BACKGROUND

- 4.1 The 'Hamilton Road Quarter' is strategically located between the rail station and the high street/market, between Great Eastern Road and King Street in the heart of Sudbury. This area's potential for mixed-use holistic regeneration considerably improving asset connectivity across the wider town - whether on-foot, by cycle or via public transport - is not being realised.
- 4.2 A Supplementary Planning Document (SPD) 'Hamilton Road Quarter, Sudbury Development Brief' was adopted by Babergh District Council in February 2010. This was adopted to provide clear guidance for the appropriate, comprehensive redevelopment of the area covered by Local Plan policy SD06. It provides a general policy context, a detailed site analysis, a design response to this (in which design principles are set out) and indicates the parameters for the development process. Land around the Bus Station, Sudbury, is proposed for a mixed-use redevelopment featuring retail, leisure or other commercial uses. Residential development forming an integral part of a mixed-use scheme will be acceptable.
- 4.3 At its meeting of 13 September 2018 (Report B/Ca/18/34), Cabinet considered its strategy towards unlocking investment in Sudbury town centre. It resolved to endorse

a preferred approach of a cinema leisure-led development incorporating residential and retail units. At the same time, it endorsed a development prospectus to enable marketing of the site nationally to gain development interest and investment into the scheme.

4.4 Despite that subsequent marketing campaign, the site remains stalled and without investment. Market feedback on this failure has been that the non-consolidated site complexities (including over 50 registered titles) and, more importantly, the continued central presence of the bus station remain significant barriers. These are deterring private sector development and investment. From the viability and development appraisal work to date the potential return on investment levels are, without further public sector de-risking, unattractive for commercial developers.

4.5 The Council has therefore, including through the Covid pandemic period, been undertaking a variety of intervention works to support de-risking the site. This aims to increase the likelihood of unlocking the delivery of the site towards achieving the shared ambitions of the Council, its Vision Group partners and the local community. This has included:

- masterplanning design concept draft preparation via Babergh Growth, the Council's Joint Venture Development Company, and subsequently externally procured architects (KLH based at Sproughton);
- due diligence work including obtaining legal report on title, site investigations and surveys, condition reports;
- acquisitions, negotiations and buy-ins of non-Council owned parcels and properties, and preparing a CPO strategy should it become necessary;
- capital funding and investment bid writing;
- soft marketing, stakeholder and open public engagement; and
- Chartered Surveyor viability and feasibility appraisals and property strategy development.

4.6 A Round 1 Levelling Up Fund bid application including HRQ regeneration, supported by a broad range of partners including James Cartledge MP for South Suffolk, was submitted to UK Government in June 2021. It was rejected despite later departmental feedback confirming it was a '*strong strategic fit*' and the assessors having had '*reasonable confidence in its deliverability*'.

4.7 An updated Round 2 Levelling Up Fund package submission has been prepared for the HRQ regeneration scheme, combining with Suffolk County Council Highways Authority's bus infrastructure and route/junction/active travel improvements. Central government's capital funding intervention would significantly boost the deliverability and marketing appeal of the scheme and help secure the development and investment partnerships needed. An overview summary of the bid content is attached at Appendix B. Bid outcomes are expected to be announced during the autumn of 2022. The MP for South Suffolk has again given his formal priority level support to the Round 2 submission.

5. LINKS TO CORPORATE PLAN

5.1 The Corporate Plan (2019-27) is designed to address the challenges and seize the opportunities facing the districts, and their organisations, for the foreseeable future. In relation to the matters contained within this report, the Council's 'strong local

leadership role to build great communities for living, working, visiting and investing in' is particularly relevant.

- 5.2 The Joint Economic Recovery Plan references the Councils leading a programme of place-based Vision and Invest programmes for the market towns across both districts, including the 'Sudbury Vision' brand. An outline of the potential investment opportunity has been discussed at the Sudbury Vision partnership and stakeholders who were supportive of this initiative, including for Levelling Up Fund bidding.
- 5.3 A regeneration scheme of this nature and scale has multiple cross-cut impacts and significant social value. Strategic priorities linked for this matter include:
- (a) Rejuvenate our vibrant market towns
 - (b) Thriving, attractive, sustainable and connected Communities
 - (c) Local places are inclusive, safe, and accessible for walking, cycling and public transport
 - (d) Homes in high quality sustainable environments, served by jobs and community facilities, appropriate green space, effective transport links and other necessary infrastructure
 - (e) A robust financial strategy

Further, this project would deliver:

- (f) town centre regeneration outputting a mixed-use scheme in line with Planning Policy SD06 and previous Cabinet resolutions
 - (g) a key Sudbury Vision Programme project providing stimulus and momentum to further town investment
 - (h) opportunities for energy efficient and environmentally sustainable homes and units, contributing positively towards climate change action plan
- 5.4 The Strategic Asset Management Plan to 2025 aims to support business development and regeneration and encourage commercial activities by:
- Providing suitable accommodation for employment of the right type in the right place supporting the development of job opportunities and skills within our districts
 - Maintaining flexible lease terms
 - Undertaking property development
 - Improving availability and use of employment land
 - Undertaking considered acquisitions and disposals which meet specific criteria

6. FINANCIAL IMPLICATIONS

- 6.1 Full business case financial information including updated scheme cost estimates and development viability appraisals will be reported to a later Cabinet meeting for consideration. Levelling Up Fund capital grant application outcome should be known during the autumn of 2022.
- 6.2 The Council has already invested significantly in the assembly of the site and related due diligence, site investigations and early design concept work. The architect and cost consultant works up to end of RIBA 2 equivalent stage will have been to the order of a combined value of £106,000 (which includes wider Belle Vue site masterplan work elements).

Without this essential work having been undertaken it would be impossible to submit any tangible Levelling Up Fund proposals, or support securing any potential future funding, investment or partnering opportunities.

- 6.3 Below is the funding proposed, subject to Cabinet resolution, to undertake the next stage of design, costing, development strategy, engagement and business case development work.

Revenue/Capital/ Expenditure/Income Item	2022/23	2023/24	2024/25
Strategic Priorities Reserve, with all capital elements funded from the Capital Regeneration Fund	Up to £500k	-	-
Net Effect	-£500k	-	-

- 6.4 The Council's Medium Term Financial Strategy (MTFS) 2021-2025 requires the Council to take a medium-term view of the budget through a robust financial strategy that is focused on delivering the six corporate strategic priorities. The Council's main strategic financial aim remains to become self-financing and not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, in order to enable additional investment into the district. This requires careful balancing of cost management, income generation and service levels.
- 6.5 Should Cabinet/Council decide not to authorise this project to progress into the next stage of the project development then it will limit opportunities for external funding, including by UK Government, or attracting the investors and developers who will work as the Council's partners to deliver holistic regeneration of the area. The Council would retain its current landlord obligations and rental income stream whilst the area remains an unattractive and underutilised gateway into the town.

7. LEGAL IMPLICATIONS

- 7.1 There are legal implications at all stages of a regeneration project lifecycle. These will be managed, shared and transferred as work stages progress through effective project management, risk register monitoring and later contractual arrangements. Any implications requiring legal review will be picked up and addressed as part of the regular project management work.
- 7.2 Various project strategies (for example procurement, acquisitions and tenant engagement) are being implemented and continuing their development, all of which will have relevant legal consideration and input at appropriate stages. A commercial lawyer from the shared legal team is a member of the HRQ officer group. We will continue to engage and attempt productive dialogue with all affected tenants/landowners.
- 7.3 For the proposed next stage of work, outlined in the recommendations of this report, the next iteration of masterplanning design and spatial co-ordination will consider all updated information and feedback available since the last stage review.

7.4 Public procurement regulations and principles will apply within the development strategies, and subsidy control assessment formed part of the linked Levelling Up Funding bid submission, which has had commercial legal officer input.

7.5 Onward acquisitions, disposals or leasehold agreements will be subject to legal input as required.

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No.8 (Decline in our key towns impacts upon economic prosperity of the districts) and Risk No.4 (development may remain stifled/unsustainable). Key strategic risks for the next stage are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
BDC discontinue interventions in the site, reinforcing market failure leaving the site under-utilised and degrading	2 - unlikely	3 - bad	De-risk the site. Design to RIBA3 and market an investable mixed-use development attractive to secure investment and developer
Masterplan does not meet Council's brief, Local Plan Policy SD06 and vision objectives	2 - unlikely	3 - bad	Continue the project team working of internal officers, stakeholders and external specialists including regular reviews and audit
Lack of scheme buy-in or support from some sections of the public and some tenants	3 - probable	3 – bad	Action engagement plan including stakeholders/public exhibition and incorporate feedback into next stage design where viable
Failure to secure investment or development partner stalls the development	3 - probable	3 – bad	De-risk the site. Phase the delivery considering use of Council's Development Company for part, if viable business case based on draft masterplan. Continue marketing
External Levelling Up Fund application is	3 - probable	3 - bad	Develop robust and compliant bid for

rejected, making scheme undeliverable			deliverable scheme with priority MP and other stakeholder support. Viability business case modelling with and without LUF
Failure to provide strong local leadership within 'Sudbury Vision' Programme stifles wider town investment opportunities	2 - unlikely	3 - bad	Progress design of a holistic and deliverable regeneration scheme to demonstrate positive leadership intervention and give programme confidence
Legal risks – e.g. challenge to planning, CPO, ownerships and other consequential time and cost risks	3 - probable	3 - bad	Development of property strategies including legal input. Indemnities and insurances. To be reported further in full business case and linked governance steps
Up front borrowing costs for forward funding works not being capitalised, and remaining a revenue sunk cost, if project does not create asset	2 - unlikely	3 - bad	Clearly identifying and allocating capital spend activities and utilising capital regen reserve. Minimising revenue cost exposure

8.2 Monthly full risk register updates are made as part of the project management work and are reported, by exception, to the project board and cabinet portfolio holder briefings. As the project progresses into operational work the register will expand into more detailed specific risks including allocations to named project team members and including a cost and probability estimate to quantify each risk.

9. CONSULTATIONS

9.1 A 'drop-in' format public exhibition in central Sudbury took place between 16-18 June 2022 which showcased progress under RIBA2 masterplan stage for HRQ as well as showcasing a variety of town project updates from local partners. This was well attended by over 440 people. Engagement will remain ongoing through the Sudbury Vision working and with the town council, tenants, prospective new occupiers and local stakeholders.

- 9.2 Close collaborative working with Suffolk County Council Highways Authority on Sudbury transport improvements, including bus and junction work, remains ongoing and relevant to the Levelling Up Fund bid.
- 9.3 Acquisitions and marketing negotiations will continue, aiming to secure key properties, anchor tenant and lessees. Direct multi-channel engagement with existing tenants and landowners remains ongoing.
- 9.4 A cross-cut officer group of internal services (including Planning and Heritage, Infrastructure, Assets, Regen and Economy, Housing, Legal, Communities and Finance colleagues) and external specialisms has been established for many months and continues to drive the programme forward. This work has ensured that due diligence work has been thorough and that risks remain suitably identified, mitigated and managed.
- 9.5 Planning processes will follow in due course in terms of enabling formal responses to proposals.

10. EQUALITY ANALYSIS

- 10.1 Equality Impact Assessment (EIA) Initial Screening has been undertaken and identified no impact on one or more of the 9 protected characteristics as defined by the Equality Act 2010. No full assessment is required arising from the matters contained within this report. This mixed-use development will in design and construction incorporate accessible design features, including for building access and parking, in accordance with prevailing Building Regulations and/or British Standards where applicable.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 A sustainability strategy is in development for the scheme’s buildings, infrastructure and open spaces. This also incorporates the Joint Babergh and Mid Suffolk Housing Design Guide and New Homes Technical Specification (May 2022).
- 11.2 Development of the site will have associated environment impacts requiring full planning, assessment and mitigation. The initial design work incorporates environmentally efficient building options, with design ambitions including Modern Methods of Construction (MMC) elements, Passivhaus equivalent standard residential, BREEAM certification and other relevant design standards. This will be considered further as part of business case and linked development strategies.
- 11.3 Sourcing local craft skills and materials is also part of the design brief and its heritage considerations. Rooftop solar PV and Low-Zero Carbon and self-consumption energy opportunities and cost savings for occupiers are also being explored. Biodiversity planting and features are proposed, within new public spaces and public realm areas, to further embed green infrastructure and mitigate carbon impacts.

12. APPENDICES

Title	Location
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APPENDIX A: Masterplan Design Concept (in development) July 2022 Update	Attached
APPENDIX B: Levelling Up Fund Round 2 Bid Summary Overview	Attached