

TO: THE EXECUTIVE
DATE: 31 MARCH 2015

**REDEVELOPMENT OF COOPERS HILL
TRANSFORMING THE DELIVERY OF SERVICES FOR YOUNG PEOPLE
Director of Children, Young People and Learning,
Director of Adult Social Care Health and Housing and
Borough Treasurer**

1. PURPOSE OF REPORT

- 1.1 This report is to update the Executive on progress with developing a Business Case for the redevelopment of the Coopers Hill site to provide a creative, performing and digital arts centre for young people in Bracknell Forest.
- 1.2 The report seeks an in principle agreement to proceed further with the scheme to develop a funding model that will deliver a financially viable development of the site to provide 122 units of residential accommodation and the centre for creative, digital and performing arts, with our strategic housing partners, Thames Valley Housing Association (TVHA).

2. RECOMMENDATIONS

That Executive agrees:

- 2.1 **Subject to the outcome of a financial viability study to approve in principle the redevelopment of the Coopers Hill site in partnership with TVHA to provide youth and housing facilities as outlined in the report.**
- 2.2 **To test the financial viability study looking at, the creation of a creative, digital and performing arts centre through the redevelopment of the Coopers Hill site, by securing the support of leading national organisations with a track record in delivering effective programmes for young people.**
- 2.3 **Subject to the successful outcome of 2.2; to negotiate and enter into a development agreement with TVHA.**
- 2.4 **To report back on the outcome of the feasibility study and the potential terms of a development agreement for the site by December 2015.**

3. REASONS FOR RECOMMENDATION

- 3.1 The recommendations in this report support the Council's medium term objectives:
 - Medium term objective 1 - to regenerate Bracknell Town Centre
 - Medium term objective 4 - to support our young residents to maximise their potential
 - Medium term objective 10 - to encourage a range of appropriate housing.
- 3.2 The redevelopment of Coopers Hill through a partnership between Bracknell Forest

Council and TVHA will provide a completely new facility for delivering services to young people. The facility will deliver a wide range of services that are not currently available in the region, in accommodation that is fit for purpose and meets the specification drawn up through extensive consultation with young people. The facility will be unique in the region and make a significant contribution to the wider regeneration of the Town Centre.

- 3.3 The delivery of financially viable services for young people through the Coopers Hill facility will require strategic partnerships with business and enterprise in the region; with national bodies; with arts, culture and technology organisations; with local schools, colleges, and universities. These partnerships will need to be in place to enable delivery of services from the completion and handover of the building. A partner or partners with an established, known high quality brand will add significant value to and secure the successful operation of the Coopers Hill Centre. The Council has commenced the process to identify potential partners.
- 3.4 The scheme proposed by TVHA will provide c.2,000 m² of accommodation for the creative, performing and digital arts centre. An outline is shown in Appendix A. This will be funded from the sale of 122 shared ownership homes to be provided on the same site. TVHA will design the scheme, in partnership with Bracknell Forest Council, seek planning permission and undertake an OJEU compliant procurement process through the Homes and Communities Development Agency panel. The Council, supported by the Youth Council, will be involved in the selection of the preferred bidder to ensure they have the experience, expertise and capacity to deliver a creative, digital and performing arts centre to the required quality and specification.

4. ALTERNATIVE OPTIONS CONSIDERED

The Council has commissioned independent consultants to develop a business case that would allow the youth facility to be provided at no additional cost to the Council. The results are summarised in the confidential Appendix B. The business case itself has also been examined by independent financial analysts.

- 4.1 There are three options considered in the Full Business Case:
1. Continue current provision at Coopers Hill without a redevelopment programme. This option will require continued funding for maintenance, refurbishment, staffing and premises costs to be met by Bracknell Forest Council, thereby creating a financial liability for the Council.
 2. Redevelop Coopers Hill with sufficient capacity to enable the delivery of services that cover operational costs. The 'breakeven' option has been developed to demonstrate that a viable and sustainable business can be delivered at no cost to the Council. This 'breakeven' position can be achieved through the participation of 7% of the target population.
 3. Redevelop Coopers Hill and maximise the opportunity to use the whole of the proposed accommodation. This full operation model has the same staffing and premises costs as option 2 but will achieve a higher income.
- 4.2 Option 3 is recommended as it achieves a significantly greater return for the costs of operating the facility, maximises the use of the facility and engages a greater number of young people in purposeful activities. This model is predicted to generate a year on year surplus to be reinvested in the programmes for young people and in the equipment and facilities available to support this work.

- 4.3. The Council could consider investing circa £ 3.6 million of capital investment to deliver the performing arts centre to the current specification itself. However, as the current proposals do not require Council capital investment this has not been pursued.

5. SUPPORTING INFORMATION

Coopers Hill Revenue Programme: Business Case.

- 5.1 Members have long had an aspiration to develop a high quality youth facility that provides for creative, digital and performing arts and gives a focus for the Council's targeted youth work on the Coopers Hill Site in Bracknell. The site itself is subject to a covenant that requires youth provision is maintained on the site. At the same time, Members have recognised that, given the financial outlook, a new facility would need to be provided at no additional revenue or capital cost to the Council.
- 5.2 These combinations of factors have made it essential to look to develop a creative collaboration with potential partners who would deliver key parts of the youth facility and with a developer who could create sufficient value in the site to make this overall vision possible. The Council has consequently commissioned expert independent consultants to develop a business case to demonstrate the long term viability of the creative, digital and performing arts centre.
- 5.3 The business case is based on comparative analysis of the costs and revenues from similar facilities operating throughout England and is summarised in Appendix B. The core revenue costs to run this facility: staffing and premises are based on figures for similar facilities in Bracknell Forest and the South East of England. The figures are prudent as they are set at the higher end of the comparative figures. A substantial contingency has been included.
- 5.4 Two models have been developed to profile the revenues that need to be achieved in making the centre viable and sustainable. Each of these models uses a combination of income streams including course fees, lettings, events and grants.
- 5.5 The 'breakeven' model demonstrates that Coopers Hill can cover its costs and generate additional revenue from the first year of its operation. This model is based on the participation of 2200 young people each year (7% of the target population). This is less than half of the participation rates in similar facilities that are used as benchmarks.
- 5.6 The recommended operational model shows a projected surplus. This requires the participation of 2,500 young people (8.4% of the target population).
- 5.7 A range of other partners including local FE Colleges, Universities and similar organisations will be approached to support specialist programmes delivered from Coopers Hill. These organisations will be asked for support 'in kind' and will also be commissioned to deliver aspects of programmes.
- 5.8 The full model includes a café/restaurant which will be delivered as a commercial operation by partners. The intention is that this will be a leading brand in the catering industry. Although no discussions have taken place the model that has influenced this work is Jamie Oliver's restaurant 15, providing 15 apprenticeships annually with an 85% record of graduates entering the profession. The final business case does not, however, rely on assumptions of income from this operation.

Business Case Stress Test

- 5.9 As part of the due diligence process, the Borough Treasurer engaged Baker Tilly Risk Advisory Service LLP to undertake a comprehensive 'Stress Test' of the Youth Hub Business Case. As a consequence the Council has a letter of assurance stating:

“The ambition of the proposed youth centre is impressive. If successful, this will have a hugely positive impact on young people in the borough and place Bracknell Forest at the forefront nationally for delivering innovative youth services. If the Council is able to secure agreements with suitable brand partners and procure the right delivery partner the assumptions underpinning the overall business case appear reasonable.”

*Walter Akers, Partner,
Baker Tilly Risk Advisory Service LLP
January 2015*

As we move forward the TVHA financial forecast will also undergo a similar due diligence process.

Coopers Hill Capital Programme: Partnership between TVHA and Bracknell Forest Council

- 5.10 The outcome of preparatory work undertaken by TVHA and the Council has established a potentially financially viable scheme to redevelop the site and provide a facility for young people alongside 122 shared ownership homes for people living and/or working in Bracknell Forest. This will provide a c.2000 m² creative, digital and performing arts facility.
- 5.11 The total cost of the youth facility, including fit out, stands at £3.6M. This proposal has been developed by TVHA at their risk, with TVHA funding all of the development costs – architect, design, surveys planning etc. In order to progress the scheme further and make a planning application, TVHA clearly require the comfort of a development agreement with the Council that provides some certainty to them that the project will proceed.
- 5.12 At this stage, there are a number of issues that need to be determined with TVHA before any development agreement could become unconditional. First and foremost, there is the need for the Council to test the financial viability study. The business plan and stress test results are both very encouraging, but the real test is whether potential partner organisations will commit to the scheme so that it can be delivered at no additional cost to the Council. Preliminary discussions have commenced with a number of potential partners, but these will gain more momentum if Members give an indication that the scheme will proceed if a partner is found.
- 5.13 The full development agreement will need to contain a number of conditions and safeguards for both parties. Amongst those most relevant at this stage, in addition to the overriding condition that any exchange of contracts can only take place when the estimated costs and values and financing arrangements for the scheme have been verified by independent cost consultants and it's viability is confirmed, the contract to dispose of a long leasehold interest of the development to TVHA will include the following conditions;

- TVHA will secure a planning consent for the development including the agreed specification for the youth arts centre and residential element at their cost based on the scheme shown to be financially viable.
 - TVHA will procure a construction organisation to undertake the development at their cost via an European procurement rules compliant process but the contract award to be made by the Council.
 - The contract will only be let when both parties agree that the scheme is financially viable based on the fixed price tender. Neither party will be obliged to enter into contract if unaffordable.
 - TVHA will agree to provide a lease of the youth arts centre to the Council for a period of 125 years with the ability for the Council to offer a sub lease.
- 5.14 There have been a number of pre-planning application discussions concerning the development proposals for the Coopers Hill site. There is an 'in-principle' agreement to the proposals in terms of mass and scale and parking provision. This confirms that the quantum of development is achievable on site.
- 5.15 If the scheme can be made viable, the Council will be involved at all stages of the procurement, construction and handover of the facility to ensure that it is constructed, finished and equipped to the professional standards required. A consultation group of young people from Bracknell Forest will work with contractors and architects throughout the whole project. There will be a joint commission of employer's agent by the Council and TVHA so as to mitigate costs and avoid conflicts of interest.

6. ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Advice given by the Borough Solicitor is reflected throughout this report.

Borough Treasurer

- 6.2.1 The redevelopment of Coopers Hill is predicted on the basis that there will be no capital or revenue cost to the Council. Should the scheme not meet this overriding criteria it will not be able to proceed on the basis set out in this report.
- 6.2.2 The work that has taken place to date indicates that the redevelopment of Coopers Hill, including the provision of a creative, performing and digital arts centre for young people is financially viable. In order to move to the next stage the Council's commitment to the project is required so that TVHA can progress the redevelopment and potential delivery partners for the centre will also commit resources. Measures are in place to monitor the ongoing viability of the project as this work progresses. Safeguards have also been introduced to ensure that the Council does not enter into any binding contractual commitments until the financial viability of both the development and the centre are assured.

Other Officers

Chief Officer: Property

- 6.3 The Borough Solicitor has already ascertained the significance and impact of the restrictive covenants affecting the land. Corporate Property has already conducted alternative site searches with no appropriate town centre locations having been identified for Youth provision. Corporate Property have also appraised the viability for the delivery of residential accommodation and the construction for the Youth provision, along with formal valuations procured by the intended development partners. Corporate Property will assist in identifying suitable premises for existing groups at Coopers Hill to be relocated to. All other relevant property matters are considered within the body of the report.

Chief Officer: Planning and Transport

- 6.4 The report reflects the ongoing discussions which have been held between the project promoters and planning officers and outlines the initial agreement reached on scale massing and parking provision. Future work on the details of the scheme will follow a similar positive and proactive approach.

Equalities Impact Assessment

- 6.5 This facility will provide open access and targeted services for young people across Bracknell. It will be fully inclusive of all young people within the age range 11 - 25. The facility will be fully compliant with the Disability Discrimination Act and similar legislation. The programmes offered will include those suitable for young people with special education needs. There will be targeted programmes for young people from vulnerable and disadvantaged backgrounds. A bursary scheme will support young people from disadvantaged homes to participate in all of the programmes available.

Strategic Risk Management Issues

- 6.6 The Full Business case includes a risk register that is reviewed regularly. There are strategic risks facing the council from this proposal stemming from the normal development risks that exist. The Council can mitigate risks by entering into a fixed price contract with as much detail on specification as possible rather than relying on provisions sums in the development contract. Appointing TVHA as project manager will mitigate risk in that they will be committed to purchase the residential element of the development. TVHA will bear the commercial risk in terms of residential values falling thus not achieving the income expectation at point of sale. A further strategic risk is the engagement of partner to run the creative, performing and digital arts centre. Initial contacts have been positive and work is ongoing to mitigate this risk.

7. CONSULTATION

Principal Groups Consulted

- 7.1 Consultation has involved all young people in the 14 -19 age range through questionnaires and/or focus groups. A working group from the Bracknell Forest Youth Council compiled the specification for the Coopers Hill redevelopment.

Method of Consultation

- 7.2 Consultation has involved a postal questionnaire that achieved over 60% response rate. A series of focus groups involving over 300 young people and a programme of design workshops supported by an architect and officers from Bracknell Forest Council.

A public meeting was held with approximately 60 parents and young people attending.

Representations Received

- 7.3 The accommodation schedules and scope of services have been developed from the consultation process outlined above.

Background Papers

Coopers Hill Full Business Case (draft) v0.8
Baker Tilly Report
Development appraisal provided by TVHA

Contact for further information

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Existing Site

