

**Cabinet**

**5<sup>th</sup> November 2013**

Report of the Cabinet Member for Finance, Performance and Customer Services

## **Future options for the Burnholme site**

### **Summary**

1. This report sets out work undertaken since September 2012 to develop options for the future use of the Burnholme Community College site and proposes a broad consultation exercise with the local community to seek their views on what happens on the site following the closure of the college in July 2014.

### **Background**

2. In May 2012 Cabinet reluctantly took the decision to close Burnholme Community College due to continually dwindling pupil numbers making the school financially unsustainable. At that time community groups and parents raised valid concerns about the future provision of community facilities currently delivered from the college site and for the loss of community cohesion as a result of the school closure. Cabinet committed to review the future use of the site with view to addressing these concerns.
3. City of York engaged advisors and an architect to review current provision on the site, explore potential demand for broader community and sports use and investigate a range of alternative uses for the site, including health and well being, retail and housing .
4. The review team engaged closely with community groups, community leaders and all three local schools to ensure that a broad range of ideas were explored, potential options were understood and the detail of these ideas was worked up to enable a realistic picture of the viability of all options to be assessed.
5. The review was driven by Council's objectives and how options would deliver the principles of the Asset Management Strategy, namely :-

- Maximising use of council assets
- Reducing costs by co-locating services in other Council buildings
- Creating community value by partnering with other public or 3<sup>rd</sup> sector organisations
- Creating new homes – supporting Get York Building programme

## **Consultation**

6. The review also sought to establish the objectives of the local community and their views were sought at a Big Local event in July on the college site when over 300 people spoke to us about their future aspirations for the site. Views were reasonably consistent across the whole community and there was strong support for the use of Burnholme by the community for a range of activities. The themes that came across from the consultation were :-

- A lot of support for sports uses and for activities that young people would find of interest
- A place to meet and socialise
- A place to access local services (Council, health, learning)
- General feeling amongst most of the respondents that had a view was that they would be ok with an element of housing if it was needed to cross subsidise other community activity (everyone consulted understood the financial picture of public sector currently) – and if there could be some affordable housing that would be very welcome (particularly by some of the younger people consulted).
- We also asked whether people would support retail, and, surprisingly, the response was quite flat. People generally felt well served by supermarkets and were worried about potential displacement of some of the other retailers in Tang Hall.
- A lot of people felt strongly about re-using the buildings and not completely demolishing the school
- Finally, there was a strong feeling that building in some connectivity between Tang Hall and Derwenthorpe residents by creating (perhaps) a green corridor/cycling paths would be really welcomed.

7. Existing and potential users of the site were extensively engaged and their needs assessed with a view to developing options that would mean they could use the site in future. Interest has been expressed by
  - Burnholme Nursery
  - Hemplands Kids Club
  - Eccles Training Centre
  - Primary and Community Health Services
  - Pharmacy
  - Explore Library
  - Sports Clubs
  - York Community Church
  - G2 Church
  - SMART
  - Accessible Arts
8. Some of these organisations bring with them reliable long term funding where others are not currently able to pay market rates and will bring less predictable income streams.

### **The Site**

9. A full plan of the site is attached at Annex 1. The full site is 16.8 acres of which 6.8 acres is the brownfield part of the site. The options developed assume that as a starting point only the Brownfield part of the site is used and that the 10 acres of playing fields remain as open space, with some additional space being used by Applefields School.
10. Cabinet have already made the decision to utilise unused land to the rear of the Burnholme site to locate one of the two new Elderly Peoples homes which are being developed as part of a separate project. Discussions are taking place with St Aelred's School which abuts this site in order to ensure that they have adequate green space and are happy with the adjacent facilities.
11. During the appraisal process all efforts were made to maximise the amount of shared space in any development which would increase the facilities open to the community, reduce the cost to each user and facilitate sharing and collaboration opportunities for all users.

## Options

12. A series of high level options were developed which for completeness included both a “Do nothing” option and a sale of the site for housing, though it was accepted that these options would be highly undesirable. They do allow a comprehensive view of all options and provide a full analysis of the costs and potential income from the site.

13. The options were:-

**A Housing only** - – Demolish the existing buildings and develop the brownfield parts of the site for housing

**B1 Health and Wellbeing Hub** – New Build. This facility would incorporate all existing users and host primary and community health services, an Explore library and provide a home for a range of voluntary sector groups. A small area of land on the brownfield site would be sold for housing (approx 23 homes) This option would demolish the existing structure and design a purpose built facility.

**B2 Health and Wellbeing Hub** – part refurbished/ part new build. This facility would incorporate all existing users and host primary and community health services, an Explore library and provide a home for a range of voluntary sector groups. A small area of land on the brownfield site would be sold for housing (approx 19 homes) this option would demolish part of the existing structure and design a purpose built facility.

**C Small scale Community use** – This option would continue some existing uses on the site but would not feature any redevelopment of the buildings. It would however require decommissioning of large parts of the existing site with focussed provision on a small footprint of the existing buildings. In addition the proposed health facilities would not be able to be provided on the site nor would the Explore library facility which would remain in its current location.

14. These options were then given a full commercial development appraisal, assessing

a. Cost of redevelopment

b. Potential capital receipts or external capital income

- c. Potential rental revenue
  - d. Other income sources (£106 moneys from Derwenthorpe)
  - e. Space requirements of tenant organisations and their ability to pay rent
  - f. Fit with community and council priorities
  - g. Risks
15. These options and all the supporting work are set out in a comprehensive report which contains sensitive assumptions about the level of rent payable by each organisation which for obvious reasons needs to be kept confidential. The broad findings from the review are set out in an Executive Summary which is attached as Annex B.

## **Analysis**

16. **Option A – Sell for Housing** – though there would be a significant capital receipt (estimated £3.4m) and provision of 110 new homes, all existing community use of the site would cease and organisations would need to relocate. There would be a detrimental impact across the whole community and a loss of community cohesion.

**Option B1- Health and Wellbeing Hub** – New Build. This would retain existing community facilities and bring together a complementary range of health and wellbeing services for the local community that would both improve the quality of local services and also underpin the financial stability of the whole facility. However, the new build would be expensive and would require significant additional funding.

**Option B2 - Health and Wellbeing Hub** – part refurbished/ part new build – As with Option B1 this would retain existing users and supplement with quality health and wellbeing facilities. It would be significantly cheaper to partly refurbish some existing buildings and add some new build. The scheme would still require some additional funding but much less than option B1.

**Option C - Small scale community use** – This option would continue existing facilities but would have little long term financial stability and its viability over time is in grave doubt. The cost of decommissioning the unused parts of the site and essential maintenance work would leave an annual cost of approx £250k against current income of

£80k, leaving the Council an annual £170k minimum additional revenue contribution

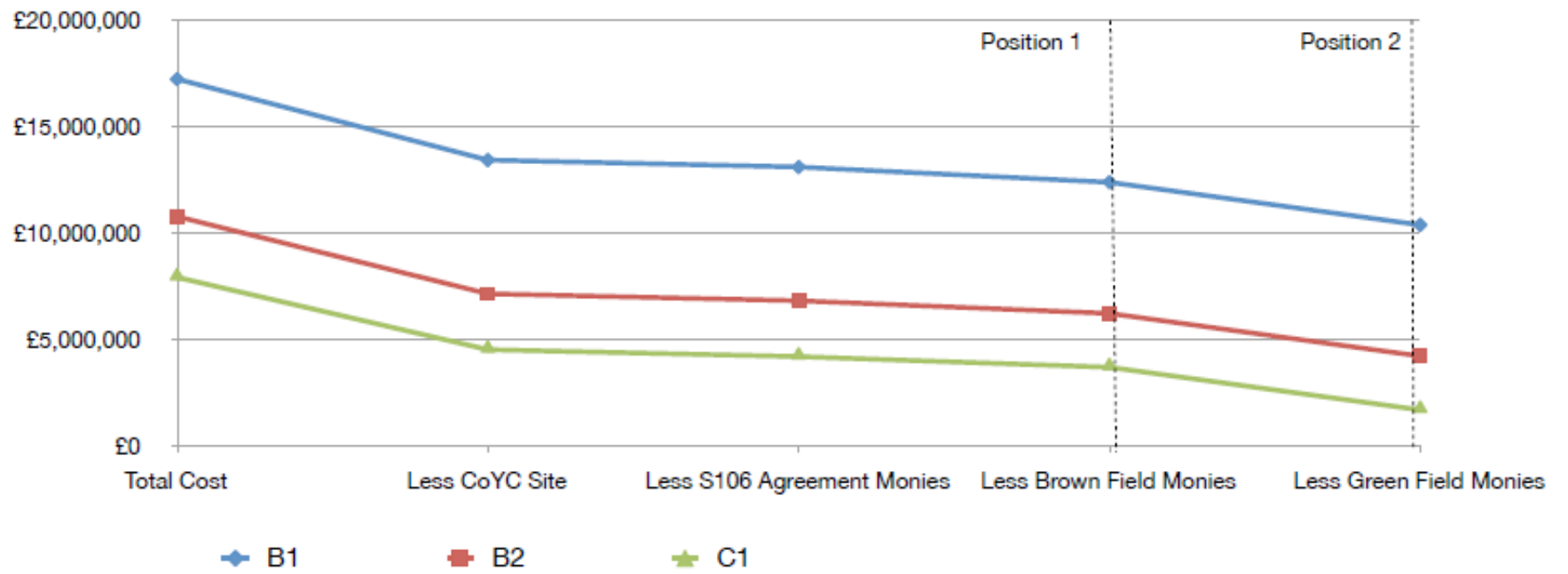
17. The review evaluated all these options against a matrix that considered their fit with Council priorities which is set out in table 3 of the Executive report at Annex 2. The highest scoring option from that exercise was the creation of a part refurbished part new build Health and Wellbeing Hub with ongoing community provision (option B2). This option clearly delivers on many of the requirements stated throughout the community engagement, but all options needs testing out with the broader community.
18. Option A is financially viable because it has no ongoing capital or revenue costs although the cost of moving existing facilities to alternative sites has not been calculated. None of the options B-C are currently financially deliverable as the income that they would generate does not pay for the required capital borrowing assumed in the modelling.

### **Financial Viability**

19. Given the levels of capital investment required by options B-C, none of these are viable in the long term when looked at as a development opportunity and all would require further action to be taken to make them affordable.
20. The affordability of options B1, B2 and C1 could be improved by :
  - a. The Council contributing the land at no cost to the development - £2.9m
  - b. The injection of the S106 monies from the adjacent Derwenthorpe scheme towards the sports facilities on site is critical whether option B1, B2 or C1 is selected
  - c. A significant injection of capital from an occupant such as the NHS
  - d. Creating an additional capital input from selling some of the remaining green space on the site for housing.
  - e. An injection of revenue or capital funding from the Council - given the financial pressures upon the council due to reduced government funding this would necessitate further budget cuts across the council

- f. Increasing revenue from new users – this would in turn increase the capital costs by increasing the size of the build. Care would need to be taken not to price the space out of the reach of community groups
21. The initial capital costs of the 3 non- sale options (i.e. Options B1, B2 and C1) are shown on the chart on the following page. The initial development costs are then offset by removing the cost of the land (assuming that CYC puts in the land at no cost to the scheme), by utilising the S106 monies from Derwenthorpe to provide community facilities on the site, from a small amount of brownfield land being sold for housing and finally assuming that up to 4 acres of the greenfield land might be sold for housing.
  22. This remaining capital would then be borrowed and repaid over a 25 year period from the rental income from all the occupants. The net revenue position with or without any greenfield land sale is shown on the diagram in Annex 3. It is clearly shown that the net revenue balance is only marginally affordable. This is very risky and assumes that the space will be fully let throughout the term of its life and that all repairs liabilities are met from additional tenant income. To make this a sustainable facility there needs to be some financial headroom in the form of an operating surplus built in to the business case to cover these known likelihoods and any unexpected issues.

## PROJECT CAPITAL REQUIREMENT





23. The chart set out at Annex 3 shows the income which will be generated from each option, offset against the cost of repaying the capital and the management costs and then (in the purple bar) shows the net revenue balance. Based on current assumptions, none of the options are affordable using only the brownfield portion of the site. Assuming additional capital income for example from the sale of a 4 acre portion of the Greenfield site, would add in £2m to the financial model and as you can see from the diagram above this makes option B2 affordable and Option C marginal.

24. There are other ways of closing this affordability gap (potentially from another scheme partner) as set out in para 20. This diagram is just indicative to show that it is possible to make some of the options affordable.

25. The green space on the site is a very important consideration. Both Applefields and St Aelreds schools have expressed a need for additional green-space and community views were strong on the need for both outdoor sports and recreation but also for natural habitat and community planting areas. Permission to dispose of this land would need to be sought from the Department for Education. Further assessment will be needed to see how these requirements can be accommodated if some of the green space were to be used for housing.

26. In order to compare each option we have set out below a Red/Amber/Green status showing how successful each option is against the following criteria

- a. Affordability
- b. Long term deliverability
- c. Delivers community benefit
- d. Meets Council priorities

	A	B1	B2	C
Affordability	G	A	A	A
Long term deliverability	G	A	G	R
Community benefit	R	G	G	A
Council priorities	R	G	G	A

## Continuing the Consultation

27. The community engagement undertaken to date has been absolutely crucial in getting a clear view of what is needed in the site and it is now vital that we undertake a comprehensive local consultation on the work done to date so that everybody understands how the options have been arrived at, what they are dependent upon and then has a view over how this should be taken forward. The Big Local team are keen to be involved in a further community discussion as are the schools and the community groups which use the site. Ward members have been involved in the earlier stages of the consultation and will continue to be engaged as the consultation takes shape.

## Corporate Objectives

28. The option to develop a Health and Wellbeing community hub on the site would meet the Council priorities for **Building Strong Communities** by providing a wide range of community facilities and space for community groups to grow and develop. The provision of health and sports facilities would help **Protect Vulnerable People**. The provision of housing on the site would contribute to **Get York Building**

## Implications

29.

**Financial** – The potential financial impacts are set out in the body of the report. There are no financial commitments made as a consequence of these recommendations. The full financial implications of any options will be brought back in a future report.

**Property** – all the implications are contained in this report

**Legal** – consideration will need to be given to the future governance and operating arrangements for any future facility and legal agreements will need to be put in place at that time. If after consultation there is a proposal to use any of the greenfield site then Department for Education (DfE) consent will be needed for disposal of any playing fields. DfE consent will also be needed for any disposal of school buildings under the Academies Act.

**Equalities** – open engagement with the whole community will ensure we gather a range of perspectives before a decision is taken and the

completion of Community Impact Assessments for each option will help inform the consultation and further options analysis.

**Human Resources – none**

## **Risk Management**

30. There are a number of potential risks associated with a project of this type. These can be categorised at a high-level as follows:-

- Demand – any of the short-listed options will only work if the initial interest shown by community and health-related organisations materialises into binding agreements which provide sufficient revenue and capital input. This has been managed so far by having several meetings with the representatives from these groups who will have an influence in the final decision making and having an open sharing of information and requirements. The interest shown is definite and strong and, although it is dependant on further negotiation and a positive outcome from the relevant decision-making bodies, it is considered at this stage that there is a high possibility that there will be sufficient demand for whichever of the options is chosen to make the use of the development sustainable. The current risk is therefore **medium**
- Planning – any of the short-listed options will require planning consent for the health and well-being/community hub and also any residential development. Discussions have already taken place with planning officers on the proposed uses and initial comments show these to be acceptable subject to further information about design, density, land-take etc. When a preferred option is indicated further discussions will take place with all relevant internal and external planning related contacts and their input and advice will influence the final design and sustainability of any scheme. The current risk, as there is still much work to be done is **medium**
- Finance –
  - Capital - currently only high level estimates of development costs have been looked at for each of the short-listed options. There will be need for capital input which will come from
    - the interested occupiers (either directly through a capital contribution or a commercial level of rental which will enable borrowing to fund the costs)
    - the sale of part of the Burnholme site for residential development

Generation of this capital will depend on market conditions at the time and also the availability of funds from external sources. Until further design and detail is known the risk is currently **high**. Finalisation of capital costs will need to be undertaken when an option is identified.

- Revenue - once the development is completed there will be a revenue cost in running the facility which will need to be recovered through income generated from use of the site by the occupiers mentioned in this report and others including the public. This will need to include an element of whole life-cycle costing to ensure the long-term sustainability of the facility. Community groups will find it more challenging to guarantee this revenue income on a long term basis whilst the health organisations which have shown definite interest in this site will be able to make longer term commitments. Therefore the risk level will vary from **high** to **medium/low** depending on which option is preferred
- Community engagement – as detailed in this report the community, through discussions with existing groups on the site, ward members and directly through the Big Local event, have been fully involved with this project right from the beginning. There is positive support for the proposals put forward and also recognition of the need to generate capital funds from the site to enable these facilities to be provided. Continuing support is key to progressing this project as quickly as possible and also ensuring it's long term sustainability. Therefore it is proposed to carry out further community engagement following the decision on the preferred option as the next stage of this project and to continue this throughout the project both generally with the community and specifically with those community and other groups which will be users of the site. This level of engagement should ensure this risk is **low**.

## **Recommendations**

31. That the Cabinet agree to a community consultation exercise to seek views on the options set out in this report and for further work to be done to assess affordability which will be brought back to Cabinet in early 2014 to inform a decision on the preferred option.

**Reason:** To deliver a sustainable community facility on the Burnholme site and support corporate priorities with respect to Building Strong Communities and Protecting Vulnerable People.

## Contact Details

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Philip Callow Head of Property and Asset Management Customer and Business Support Services Tel 01904 553360	<b>Report Approved</b>	<input checked="" type="checkbox"/>	<b>Date</b> 24 October 2013
<b>Specialist Implications Officer(s)</b> None			
<b>Wards Affected:</b> Tang Hall, Heworth, Hull Rd, Osbaldwick			<input checked="" type="checkbox"/>
For further information please contact the authors of the report			

**Background Papers:** None

**Annexes:**

- 1 - Site Plan
- 2 - Executive Summary of the Burnholme Options Appraisal
- 3 - Revenue affordability diagram