

Cabinet



Forest Heath
District Council

Title of Report:	Mildenhall Hub Project – Update and Next Steps	
Report No:	CAB/FH/16/007	
Report to and dates:	Cabinet	10 February 2016
	Council	24 February 2016
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Lead officer:	Alex Wilson Director Tel: 01284 757695 Email: alex.wilson@westsuffolk.gov.uk	
Purpose of report:	To update Councillors on the Mildenhall Hub Project, including a revised business case, and to seek approval to move to the next (design) stage of the project, subject to the outcome of public consultation on the separate Development Brief.	
Recommendation:	<p>It is <u>RECOMMENDED</u> that:</p> <p>(1) Progress on the Mildenhall Hub project and the next steps set out in section 1.6 of this report be noted and approved; specifically that</p> <p>(2) The updated 2015 business case be approved for use in the design stage of the project, alongside any adopted Development Brief;</p> <p>(3) The Director, in consultation with the Leader, be authorised to negotiate, prepare and sign a partnership agreement for the project, provided it is consistent with the business case and the framework set out in this report;</p> <p>(4) A further budget of £100,000, to be funded from the Delivering the Strategic Priorities</p>	

	<p>and MTFs Reserve, be approved to meet Forest Heath's share of project management and development costs; and</p> <p>(5) The Director be authorised to approve spending from this budget, in consultation with the Leader.</p>		
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>		
<p>Consultation:</p>	<ul style="list-style-type: none"> Stakeholder consultation on the business case has been carried out for 2014 business case, and partners have been fully engaged in the preparation of this update. Public consultation on the Hub concept was included in the 2015 Local Plan consultation and separate public consultation will be carried out for the Development Brief and any later planning application. The project is dependent on these two planning processes, both of which will reflect local opinion. An update on the Hub project was provided to the Overview & Scrutiny Committee on 14 January 2016. 		
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> The 2014 Hub business case examined over 10 different options 		
<p>Implications:</p>			
<p><i>Are there any financial implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Set out in report 		
<p><i>Are there any staffing implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> Not in relation to this report itself 		
<p><i>Are there any ICT implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>		
<p><i>Are there any legal and/or policy implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> The next stage of the project will require partnership agreements to be in place regarding funding, tenure and land assembly. The project will also need to comply with planning policy. 		
<p><i>Are there any equality implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> Not in relation to this report itself 		
<p>Risk/opportunity assessment:</p>		<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>	
<p>Risk area</p>	<p>Inherent level of risk (before controls)</p>	<p>Controls</p>	<p>Residual risk (after controls)</p>
<p>Safeguarding is not maintained for children and vulnerable adults</p>	<p>Low</p>	<p>Ensure that safeguarding remains the first design principle of any scheme and reflect feedback on concept designs</p>	<p>Low</p>
<p>Traffic issues are not mitigated</p>	<p>High</p>	<p>Reflect the findings of the traffic study 9and concerns of local residents) and make suitable provision for any mitigation</p>	<p>Medium</p>

Planning requirements cannot be met	Medium	Carry out full pre-application assessments and consultation in accordance with defined planning processes and guidance. Include Hub in Local Plan consultation. Prepare and consult on Development Brief.	Medium
The community does not feel engaged in the project/the final proposal does not reflect community input	Low	Continue to engage stakeholders in the project and consult as part of planning process.	Low
FHDC Councillors do not feel engaged in this Cabinet project	Low	Provide regular reports and briefings. Submit final proposal to Overview and Scrutiny Committee.	Low
External funding is not obtained for key elements of the scheme	High	Provide strong evidence of scheme benefits and work with funders.	High
The project is unaffordable or undeliverable	High	Carry out due diligence of business case and value-engineering of first concept and prepare a full funding assessment and proposal before commencing project.	Medium
The partnership is not strong/the Project is not well managed	Medium	Put in place strong governance and project management.	Low
The public estate in Mildenhall is not flexible enough to cope with the future needs of the area	High	Ensure through the Hub project and Local Plan process that suitable provision is made.	Low
The public estate is not managed efficiently for the taxpayer	High	Seek to deliver any investment in a coordinated manner, on as few sites as possible	Low
The operational and community benefits of an integrated public estate are lost	High	Ensure that any decisions are taken in partnership, under the Hub Project, and using the criteria of the One Public Estate (OPE) Programme	Low
The site(s) cannot be assembled	Medium	Hub to be provided on land in ownership of partners. Consult with DFE regarding educational land issues under OPE programme if required.	Low
Mildenhall swimming pool has to close as it is beyond economic repair	High	Ensure that a decision about the replacement of the pool is made in 2015 and can be delivered at an early stage of any Hub Project	Medium
External funding opportunities are missed	High	Engage with external funders at all stages, and avoid project delay	Medium
Costs of delay (loss of grants, inflation, increase in interest rates)	High	Maintain momentum and timetable of project, and value-engineer proposals	Medium
Ward(s) affected:	All Ward/s, particularly those for Mildenhall and surrounding villages		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	<ul style="list-style-type: none"> • Mildenhall Hub Business Case, August 2014 • CAB13/067, 5 February 2013 • CAB13/092, 25 June 2013 • CAB14/127, 7 January 2014 • CAB14/156, 15 July 2014 • CAB14/FH/012, 9 December 2014 • CAB/FH/15/031, 14 July 2015 		
Documents attached:	Appendix 1 - 2016 Business case (Appendix to follow)		

1. Key issues and reasons for recommendation(s)

1.1 Background

- 1.1.1 The Mildenhall Hub project is an ambitious partnership initiative, linked to the Government's One Public Estate Programme, to rationalise and improve the public estate in Mildenhall for the benefit of local people. It has been the subject of several previous reports to councillors, which are listed in the background papers above.

Which services could potentially be included?

- Mildenhall College Academy
- Pre-school
- Council offices (including FHDC, SCC, DWP, health and CAB)
- Improved leisure facilities (pools, sports hall, fitness suite, outdoor pitches)
- Health Centre
- Library
- Police Station
- Fire Station
- Primary School (later phases).

Why is the Hub project needed?

- Many of the public buildings (the "public estate") in Mildenhall need replacing in the short or medium term.
- The facilities in the project are currently split across five sites.
- Some are too big for current needs, some too small.
- There is no or limited future-proofing of the facilities for the future growth of the town.

What is the core business case for the Hub?

- Most if not all of the facilities will need to be replaced anyway in the next 25 years.
- Co-locating with new partners will offer improvements to services and allow new ways of working for the community.
- It will reduce the footprint of the facilities (even with expanded leisure facilities) by over 20%.
- The facilities will be 50%+ cheaper to run (before renewable energy).
- It releases over 10 hectares for growth.

1.2 Development Brief

- 1.2.1 The Development Brief for a Hub site at Sheldrick Way is covered by the preceding item on this agenda, and is being handled separately by the Council's planning and growth team, as a local planning authority matter. However, approval of that document is a critical part of the overall project, and will need to be completed before design work commences.
- 1.2.2 Specifically, the Development Brief will need to demonstrate to local residents that the partners have properly understood local concerns about the Hub project in terms of its impact on traffic, amenity and the local environment. While critical to its success, these are issues to be addressed in any detailed design and the planning process, which are not the focus of this report.

1.3 **Updated Business Case**

- 1.3.1 The original 2014 business case can be viewed at the website highlighted in the background papers above (www.mildenhallhub.info). The text of the updated business case (as at 1 February) is still being finalised with partners, and will be circulated separately (and 'to follow') for the Cabinet meeting on 10 February (but will be attached to the Council agenda). However, it is possible to prepare this covering report based on what is already known about the new document and the Council's next steps.
- 1.3.2 The new business case document sets out the latest requirements of the partners, and it is worth noting that there have been several key changes since the 2014 business case which materially affect the project, in scope and delivery (in no ranked order of importance):
- (a) The partners have established that, of the options in the 2014 business case, a single site for the Hub, at Sheldrick Way, is their preferred option, even if this requires the Hub to be built in phases.
 - (b) In addition to any local measures around the site itself, a traffic survey has confirmed that junction improvements will be needed in the town centre before such a Hub scheme could proceed, and these will need to be factored into the likely project costs. Any such traffic improvement scheme would also need to be prepared in the context of any other growth in the town and surrounding villages arising from the Local Plan.
 - (c) Mildenhall College Academy (MCA) has confirmed that the existing sixth form centre (the former middle school building) at Sheldrick Way will need to remain in situ. This building has been recently refurbished and, in any event, there is currently no access to central government funding to replace it. This decision actually gives some certainty in terms of planning the project, and also removes some elements of cost from the 2014 estimates.
 - (d) MCA was accepted (in early 2015) into the Priority Schools Building Programme 2 (PSBP2) in relation to urgent improvements needed for the majority of its Bury Road school campus, and government has indicated that it is open minded to allowing this investment to be used towards a new school building at Sheldrick Way, as part of the Hub project. Unfortunately, no decision on the actual award of PSBP2 funding has yet been received. As the remainder of this report explains, this does not necessarily need to delay the next stage of the project, but it will have a fundamental effect on delivery in terms of phasing, costs and funding; meaning, in turn, that it is not possible to sign off a final detailed business case at this stage.
 - (e) Work on the West Suffolk Playing Pitch and Sports Facility Strategy has clarified the *minimum* leisure requirements for the Hub.
 - (f) The adoption of West Suffolk councils' office accommodation plan has clarified the amount of office space required for district council staff (in terms of numbers of desks, but also design targets for space per desk).
 - (g) It has been accepted that a key part of the Hub concept will be 'future-proofing' the site (in terms of design, infrastructure and space) to be able to

cope with whatever future requirements of public services there are arising from the Local Plan and the future use of RAF Mildenhall. However, the first phases of the Hub will be focused on current and known demand. For this reason, for instance, a primary school will not be in the first phase of the Hub, but space will be allowed to add it later.

- (h) The Council has taken part in a government-funded study into the potential of the Hub site to generate renewable energy.
- (i) As well as receiving support from the Transformation Challenge Award of the DCLG, the Hub is part of the One Public Estate Programme of the Cabinet Office, within a wider project to shape the future of Mildenhall through the effective use of publicly-owned assets.

1.3.3 As explained in the business case, these changes, along with the due diligence carried out by the partners in 2015, has led to a new estimate of gross internal floor area requirements for any new buildings in the first phase of the Hub, summarised as follows:

	Square metres (m2)
Sixth Form Building	No change – existing building retained
Education (post 11 only)	8642
Leisure centre	4156
Other Hub uses and shared spaces/infrastructure	3254
Total	16052 (plus sixth form)

This data is a snapshot as at January 2016 and may be revised later as requirements change and designs evolve. The intention would also be to design the Hub so that facilities can be extended within its curtilage as the needs of the town change (including the addition of a primary school, which is not included in the data above).

1.3.4 The new business case also updates the previous financial estimates for building the Hub, based on certain exclusions and assumptions. For internal cost modelling purposes, it is important to disaggregate those elements which FHDC is most likely to be involved in providing. Broadly speaking, these are:

- Leisure facilities
- Democratic space (including shared meeting spaces with MCA)
- It's own office space
- Central infrastructure (shared reception area, café, kitchen, plant, etc).

FHDC may also act as landlord for other partners, if they are able to cover FHDC's costs in constructing those elements.

1.3.5 If these elements are separated out from the overall requirement for new facilities in the Hub, and allowing a 20% contingency for the assumptions and exclusions set out in the business case (in its appendix B), the following is an interim estimate of the potential construction cost of these elements ahead of any detailed design (subject to paragraphs 1.3.6 and 1.3.7 below):

Likely FHDC provided element	(up to) £
Leisure Centre (including 3G pitch)	12,000,000
Public Access and Office Space	2,250,000
Shared Meeting Suite	2,000,000
Kitchen and Plant	3,750,000
	20,000,000

- 1.3.6 The estimate above excludes the cost of borrowing (see para 1.4.6 below) and it is also important to note that the business case assumes that land acquisition costs are excluded (which is actually a matter for Suffolk County Council to determine under its own separate processes). It is also assumed that MCA will agree to share the *existing* school site at Sheldrick Way, for which they hold a long lease from SCC.
- 1.3.7 The initial estimate above would also be at the upper end of a potential range of costs of between £16m and £20m for the elements FHDC would take the lead in providing. However, in addition to the outcome of any market-testing, the final cost would also be dependent on a number of other factors:
- the certainty that will come from a detailed design and pre-application assessments;
 - the timing and scale of the MCA relocation, which could affect the phasing of this cost significantly in relation to leisure, parking spaces and plant/kitchens;
 - similarly, some of the leisure elements could be provided in later extensions, linked to housing growth; and
 - a decision on the size of any main swimming pool, as there will only be one chance to build this (but the running costs of a larger pool than six lanes may prove to be unaffordable in the short-term). The cost estimate above is the 'worst-case' financially i.e. an eight lane pool.

1.4 **Funding and timing considerations**

- 1.4.1 The cost cited above should be seen as the funding FHDC will need to *assemble*, rather than what FHDC (and its taxpayers) will necessarily *pay*. This is an important distinction to make.
- 1.4.2 Another consideration, which will shape not only initial costs but also negotiations with partners and external funding applications, is the beneficial ongoing impact for taxpayers the Hub will have within the wider One Public Estate Programme for Mildenhall. This benefit is in terms of unlocking and/or releasing other assets which, as well as reducing the overall cost of running improved public services, will also free up land potentially for job creation or housing. In that context, the design stage of the Hub will need to establish whether it is more cost-effective to either 'front-load' certain elements or

'future-proof' the initial design instead, so that they can be added or extended later. In some cases (for instance renewable energy or the swimming pool), it will almost certainly be more cost effective to do the former, but clearly this will carry an additional up-front capital and revenue cost. This issue will be brought most sharply into relief if there is not funding to relocate MCA's Bury Road provision in phase 1.

1.4.3 While a decision on PSBP2 funding is awaited, the project will remain at a cross-road in terms of the main phasing and 'future-proofing' decisions. This means that it is not possible, as hoped, to provide a detailed financial business case for adoption at this meeting. This (and the final decision to proceed) will still need to be brought to councillors later. However, this does not mean that there is any reason to pause on the design of the first phase of the Hub. This is because, in terms of aspiration, the partners are clear that it is not a question of *if* MCA will relocate from Bury Road to the Hub at Sheldrick Way, but *when*. Therefore, the phase 1 design, and even the planning application, can be based on the maximum extent of the scheme (with the ability to deliver it in phases). The ability to move ahead in this manner is also assisted by the decision to retain the existing sixth form centre in phase 1.

1.4.4 The proposal is therefore to proceed to the next stage of the project, and clarify funding later. This carries a risk that either the project won't go ahead (low), or that funding cannot be fully assembled (higher). However, the risk to FHDC of not proceeding at the current pace is felt to be much greater, namely:

- the longer the partners wait to start, the greater the existing funding available will be eroded by inflation;
- costly remedial works on some of the existing buildings may be required (or they may fail altogether) – there is a cost of doing nothing;
- delivery of operational savings (and service improvements) will be delayed for the Council's own services and also leisure services;
- wider One Public Estate benefits will also be delayed; and
- external funding opportunities may be lost.

1.4.5 However, to make such a decision, councillors will want to have some assurance that there is a strong likelihood of assembling the necessary funding. In that context, the following potential sources of funding can already be identified for the FHDC elements.

Capital costs

- Existing capital programme provision for pool (£3m).
- Existing Asset Management Plan provision for pool and offices (£1.5m).
- Redevelopment of vacated FHDC sites (over £1m).
- External grants/funding (e.g. project partners, central government, LEPs, national funding bodies for sport, etc).
- Proceeds from a small number of complementary housing units within the Hub (i.e. specialist or key worker housing).
- Third party investment e.g. in kitchens/café.

Revenue sources to support borrowing to close any funding gap

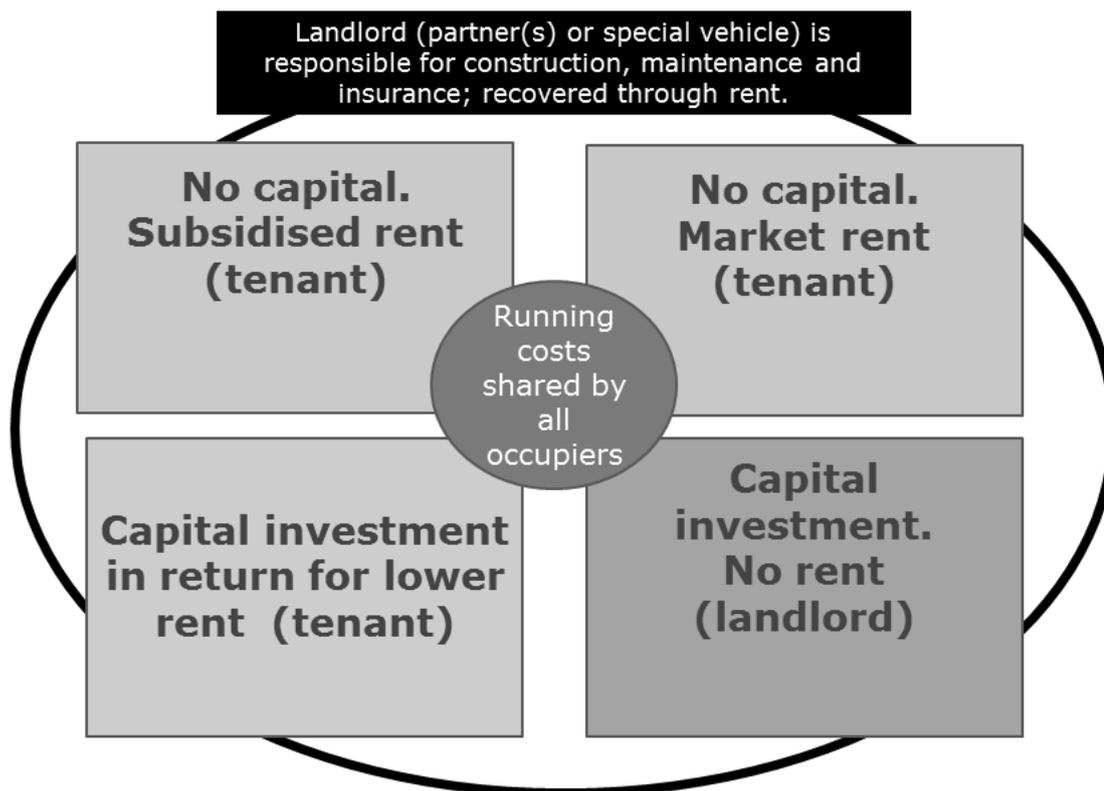
- A 50% saving in office running costs in Mildenhall (which are currently over £280,000).
- Abbeycroft management fee reductions (currently over £200,000 for Mildenhall facilities).
- Rents and trading income from the Hub.
- Operational savings through shared services in the Hub.
- Renewable energy savings (through a separate business case).

1.4.6 When the final cost to FHDC is known, there are several options for the Council to manage the cost of any borrowing for the project ahead of the delivery of revenue savings. The chosen approach will need to be consistent with the Council's Medium Term Financial Strategy. This decision does not need to be made at this stage, but will be a key part of the later financial business case.

1.4.7 It is also important when considering the cost of the project to look not just at financial return, but also at the social return to local residents and businesses. The Hub is intended to meet the current needs of existing residents. But it is also supporting infrastructure for future growth (including potential housing or other growth at RAF Mildenhall. The Hub is therefore a bold investment by FHDC, Suffolk County Council and the other partners in the future prosperity of the town and in the quality of public facilities, and the outcomes delivered through them (by public bodies and also by local communities working for themselves). The real return may, therefore, come in new homes and jobs and through reduced demand on public services. The final business case could include a benefits realisation plan.

1.5 **Tenure and cost recovery**

1.5.1 While not affecting FHDC's own funding considerations, it will be important in the next phase of the Hub to confirm the principle of the tenure arrangements that will be used in relation to the non-educational spaces. These are explained in the business case, but are also summarised in the diagram below:



- 1.5.2 With reference to the above diagram, it is assumed that FHDC will take up a landlord role (including for the leisure elements, although these will be operated by Abbeycroft as its agent). Other partners will equally have the choice to decide by which method they wish to occupy the Hub, as tenant or landlord for their exclusive elements and/or the shared spaces. If they wish FHDC to build facilities for them to occupy, and act as landlord, FHDC will need to recover fully the additional cost of doing so through rent (in an open-book manner), in accordance with its Medium Term Financial Strategy. Alternatively, they may prefer to make the investment themselves, and seek a proportionately reduced rent in return. The choice of each partner will need to be clarified in the financial business case considered later in the year.

1.6 **Next steps**

- 1.6.1 If Members support the proposal to move ahead to the design stage of the project, then the next steps for FHDC will be (not necessarily in this order, but all subject to (a)):
- (a) Local Planning Authority will complete work on preparing the Development Brief (including public consultation) – this must be adopted for the project to proceed.
 - (b) The partners will sign a Memorandum of Understanding, or equivalent legal document, to create a partnership agreement for the project, which will cover:
 - i. a commitment to participate formally in the project
 - ii. land assembly and capital and revenue project funding contributions
 - iii. tenure arrangements and the supply of services and utilities

- iv. project governance
 - v. Governance.
- (c) pre-application investigations and studies will be carried out, including design of traffic schemes.
 - (d) a design and project management team will be procured and appointed to take the project from the concept design in the latest business case to a developed design capable of achieving planning consent in accordance and a final cost estimate.
 - (e) A detailed financial business case will be presented and approved by the partners (including FHDC full council), so that the project can proceed.
 - (f) Planning application submitted (involving further public consultation, and provided a Development Brief is adopted).
- 1.6.2 It is envisaged that these stages will be completed during 2016, although this is still dependent upon third party decisions and planning considerations.
- 1.6.3 To move the project forward, the Council will need to set aside further funding to cover its share of the design costs and planning application processes (which are factored as an on-cost into the above estimates). Around £40,000 of the previous budget set aside by the Council for the project is still available, so £100,000 of additional funding is sought, subject to full council approval. The majority of this cost is included in the estimates above (as an overhead) so incurring it now will reduce the later project budget.