

# Decision Pathway – Report

**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 07 November 2023

<b>TITLE</b>	<b>Coach House Community Asset Transfer</b>	
<b>Ward(s)</b>	Ashley	
<b>Author:</b> Alex Hearn and Peter Anderson	<b>Job title:</b> Director of Economy of Place and Director of Property, Assets and Infrastructure	
<b>Cabinet lead:</b> Cllr Craig Cheney, Deputy Mayor for City Economy Finance and Performance, and Cllr Ellie King, Cabinet Member for Public Health and Communities	<b>Executive Director lead:</b> John Smith, Interim Executive Director – Growth and Regeneration	
<b>Proposal origin:</b> City Partner		
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet		
<p><b>Purpose of Report:</b> To approve the grant of an Agreement for Lease for a 125 year term and related Service Agreement at a peppercorn rent to the Black South West Network (“BSWN”) charity for the management and operation of the Coach House buildings in St Paul’s. The fulfilment of the pre-conditions contained within the agreement for lease and the consequential grant of the long lease will enable BSWN to raise the capital funding required to refurbish (subject to planning consent) a new Centre for Black Enterprise and Culture serving the black and racially minoritised communities of Bristol and the wider region.</p>		
<p><b>Evidence Base:</b></p> <ol style="list-style-type: none"> <li>1. Since May 2021, BSWN, a charitable company promoting improved enterprise start-up and support services to the Black, Asian and racially minoritised communities of the city, has held a lease of the Coach House at 2 Upper York Street, St Paul’s, a building owned by the Council, which had previously been leased to BRAVE (Bristol &amp; Avon Enterprise Agency) Ltd since 1996 to provide managed workspace for local small businesses.</li> <li>2. The Council’s Community Asset Transfer (CAT) Group considered BSWN’s business case to redevelop and expand the Coach House as a Centre for Black Enterprise and Culture and at that time offered it a 35-year lease on the condition that it would further develop its plans and raise sufficient capital by May 2024 to substantially refurbish and modernise the building to ensure its long-term viable operation. At that point, it was intended that a long lease of 35 years at a peppercorn rental would be triggered and linked to a rolling Service Agreement for provision of enterprise workspace and support and cultural services to the Black and Asian communities of Bristol.</li> <li>3. Earlier this year and having the benefit of being better acquainted with the requirements of the building BSWN reported to the CAT Group on its latest designs and costings for the refurbishment and progress to raise capital. A case was evidenced in a new business plan and related submissions (see Appendix A1) that a 35 year lease term would not satisfy the requirements of the main public and private sector funders due to the increased delivery cost of the project. This has risen to £4.9 million (capital and revenue funding, inclusive of VAT) to completely refurbish the building in 3 stages over 3-4 years compared to the original estimate made in 2020 of circa £3.0 million. It is noted that BSWN is not yet registered for VAT but is currently taking advice on this in the context of</li> </ol>		

the refurbishment project. The capital cost would cover all works necessary to comply with fire safety regulations and the Council's energy and environmental standards as set out in its Climate Change Emergency Action Plan.

4. In July 2023, the CAT Group made a recommendation that BSWN should be offered a 125-year lease at a peppercorn rent in order to facilitate the capital fundraising and subsequent capital investment in the building. One of the principal considerations is the exceptional social and local economic value to the city that both the refurbishment project and the long-term provision of workspace facilities and support services to an under-represented group in the city's enterprise and cultural sectors would generate. This is explained in detail in Appendix A2. The estimated minimum benefit in monetary terms to the local economy from the start up and growth of Black and Asian-led enterprises supported by the Centre is circa £712,040 GVA (gross value added) per year prior to refurbishment, and £1,068,060 after refurbishment. This sum excludes the less tangible and harder to quantify social and cultural value to be derived from the project over the long term. The Council's CAT Policy permits a lease longer than 35 years to be granted by exception, if supported by a business case that demonstrates special circumstances or requirements from funders or lenders.
5. The option to dispose of the building on the open market was also considered in 2021 by Property and Economic Development Services but rejected for the time being in favour of a new lease with a business workspace and support services operator due to the need to maintain a supply of affordable workspace for micro businesses and social enterprises including start-ups. Also, in the case of the Coach House, the potential entrepreneurs, businesses and cultural projects being supported have close links to disadvantaged communities in St Paul's and Ashley ward and to under-represented groups in enterprise, who face considerable barriers to establish and grow businesses successfully. Another factor was the support of local communities in the wake of the Covid pandemic's impact on the local economy and black and racially minoritised communities, especially.
6. Expressions of interest in the Coach House lease were formally invited during 2020 from two organisations known to have community benefit aims aligned with the Council's policy to maintain the supply of affordable workspace and local business support in Ashley ward. BSWN submitted a robust business case which demonstrated that a new infrastructure and supportive environment was urgently required to integrate workspace, training and meeting facilities and space for cultural activities in a single centre and improve the quality of business, social enterprise and innovation support for Black and Asian entrepreneurs in Bristol. These still have to overcome significant racial discrimination and other barriers in order to succeed, as evidenced in the BAME Business Sector Research Study undertaken by BSWN in 2018 and other research since then. An alternative submission from another local social enterprise organisation was received, but the CAT Group considered that BSWN's vision for the building and plans to modernise and extend its floor space as well as outreach into black communities offered greater social, economic and environmental benefits for the city. Against this background, the CAT Group recommended in Nov 2020 the approval of a short lease to BSWN, leading to a long lease with renewable 5-year service agreements, subject to raising the required capital funding and planning consent for the refurbishment works.
7. The alternative options to the Community Asset Transfer to BSWN involving disposal of the building on the open market by the Council in either un-refurbished or refurbished state (to comply with minimum energy efficiency standards coming into force from 2025 and render commercially lettable) have been fully considered from a financial perspective and compared to the social value generated by BSWN from its current and future uses of the building (Appendix G Financial Advice). According to the latest independent valuation (Oct 2023), the Council might obtain a capital receipt of circa £500,000 - £1,000,000 from a disposal of the freehold to a buyer seeking a change of use to residential. On the other hand, the Council could choose to invest the circa £1.4 million required to ensure the building is compliant with the minimum energy efficiency standards (MEES) for commercial buildings effective from 2025 and at least £500,000 to bring it into a better state of repair, with a view to leasing the building for commercial office use. It is estimated this would generate net revenue of £625,000 over a 125 year period. However, the independent advice indicates that a building of this type and in this location will be unattractive to the market due to the very limited net rental revenue return, even after the above investment to update it. It is also considered that the financial return from the freehold disposal option will entail uncertainty or time delay due to the lack of vacant possession and will in any case be greatly outweighed by the social and economic value generated per year for the communities targeted for the Centre for Black Enterprise and Culture

and over the long term, as outlined in paragraph 4 above and Appendix A2.

8. The proposal, therefore, is that the Council should offer BSWN a new lease of 125 years to be preceded by an agreement for lease, the purpose of which is to secure the necessary initial investment requirements. The lease will secure the continued benefits of delivery via a reviewable service agreement. The following condition will form the basis of the agreement for lease:
  - i. that BSWN will have secured and expended the necessary capital to complete an agreed and clearly documented schedule of works to include the mandated fire safety measures and other priority repairs to the building, as set out in Appendix A3;

**Cabinet Member / Officer Recommendations:**

1. Authorises the Executive Director of Growth and Regeneration, in consultation with the Cabinet Members for Finance, Governance and Procurement and Communities and the Section 151 Officer, to negotiate and agree heads of terms for an agreement for lease and the subsequent grant of a 125 year lease of the Coach House to BSWN and linked Service Agreement taking into account the pre-condition set out in this report (at paragraph 8 above).
2. Authorises the Executive Director of Growth and Regeneration, in consultation with the Cabinet Members for Finance, Governance and Procurement and Communities and the Section 151 Officer, to invoke any extensions or variations of the terms which may be required to facilitate the above recommendation.

**Corporate Strategy alignment:**

1. The main objectives of the Centre for Black Enterprise and Culture will be to promote the formation and growth of sustainable enterprises and innovative cultural / creative activities by Black, Asian and racially minoritised residents and businesses, who are an under-represented group in enterprise, and with the majority based in disadvantaged areas of the city. This will contribute to greater local economic, cultural and social well-being, and aligns with key principles and themes of the Corporate Strategy - Equality and Inclusion, Economy and Skills, Environmental Sustainability and an Effective Development Organisation, empowering individuals, communities and partners to flourish and lead.
2. The Community Asset Transfer also demonstrates how the Council is delivering on its core principles, especially inclusive growth and improved city resilience, as well as our Values and Behaviours e.g. collaborative working and taking ownership to address the needs of its communities and inequalities of opportunity and outcome.

**City Benefits:**

1. The Centre for Black Enterprise and Culture project, with its location adjacent to a disadvantaged community of inner east – central area of the city, has a strong synergy with the Bristol One City Economic Recovery and Renewal Strategy published in November 2020, whose core aims include i) enhancing the economic and social wellbeing of every community, ii) supporting businesses to recover from the crisis and ii) targeting place based intervention on areas with communities experiencing long term deprivation – with the cross-cutting themes of inclusion and sustainability.
2. The Coach House refurbishment will provide co-working space for up to 150 private and social entrepreneurs and company employees, and events / meeting / training spaces for up to 100 people, plus a café and training kitchen, and hosting enterprise and innovation support programmes, over 12,000 sq. ft in place of the existing 6,000 sq. ft. It will thus have capacity to accommodate and support enterprises, cultural groups, events and activities led by Black and racially minoritised people at a larger scale than any existing or previous project in the city. The BSWN business plan has adopted a detailed set of direct and indirect economic, cultural and social impact indicators, and forecasts an overall local economic impact from its development and support services of at least £712,040 per year.
3. In addition to the above benefits to the local economy, there will be social, economic and environmental benefits mainly targeted on the local Black and racially minoritised communities delivered as part of the £4.9 million refurbishment programme by a package of measures identified using the Council’s TOMS Social Value tool-kit.

**Consultation Details:**

1. Consultations regarding the support needs and design concept for this Enterprise and Cultural Centre have been widely conducted with trading enterprises, groups and residents and institutional stakeholders across the city and region since the main market research into the Bristol Black and Asian business sector was undertaken in 2018. The publication of the study report in Dec 2018 coincided with the launch of a new BAME Enterprise and Innovation Network, and a feasibility study to develop the Centre concept and investigate site options, which were jointly supported and funded by the Council, the University of Bristol and Arup.
2. In 2021, the WECA Business & Skills Directorate approved a £96,000 development grant to support further design work, business planning and investigation of capital funding for the Centre, and a Steering Group of strategic stakeholders, including the Council, WECA and University of Bristol, was set up to guide this process.
3. Consultation of strategic local and regional stakeholders has continued during 2022-23 through the Coach House Steering Group, with information being provided via BSWN on the building operational issues and enterprise support outcomes and cultural projects proposed or piloted to the Council's Property, Economic Development and Cultural Services, WECA and the Heritage Lottery Fund.

**Background Documents:**

- BCC Community Asset Transfer Policy  
[Community asset transfer \(bristol.gov.uk\)](http://bristol.gov.uk)

- BCC Social Value Policy

[Selling to the council: procurement rules and regulations \(bristol.gov.uk\)](http://bristol.gov.uk) – see Social Value / Social Value Policy 2021

- Black South West Network - Research Reports

– Impact of Covid 19 on Black Businesses Organisations and Communities (2020)

[Covid19 Report.pdf \(squarespace.com\)](http://squarespace.com)

- 'We want to change, and they have the power' - Findings of Bristol BAME sector review Final Report for Power to Change (2018)

[2018-09+Power+to+Change+-+Full+Report.pdf \(squarespace.com\)](http://squarespace.com)

<b>Revenue Cost</b>	£625,000 (foregone)	<b>Source of Revenue Funding</b>	Open market bidder / lessee
<b>Capital Cost</b>	£500,000 - £1,000,000 (foregone)	<b>Source of Capital Funding</b>	Open market bidder / lessee
<b>One off cost</b> <input checked="" type="checkbox"/>	<b>Ongoing cost</b> <input checked="" type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**Finance Advice:**

The report seeks Council approval to enter into a lease agreement with Black South West Network ("BSWN") for the management and operation of Coach House for a period of 125 years. This would be at a peppercorn rent to BSWN.

In return BSWN are to carry out an agreed schedule of works which also includes the mandated fire safety measures and other priority repairs to the building. BSWN would be required to raise the capital needed to carry out these works the value of which has been assessed at £0.715m.

If agreed the council would forego both the capital value of between £0.5m and £1m as well as potential revenue income of £0.625m over the term of 125 year of the proposed lease. The report points to the considerable social and economic value that would accrue to the city as an alternative to the loss of revenue and capital.

**Finance Business Partner:** Ben Hegarty, Finance Business Partner – Growth & Regeneration, 18 October 2023

**Legal Advice:**

The Council is under a duty by virtue of S123 of the Local Government Act 1972 to achieve best value for its assets and any disposal should be at the best price reasonably obtainable. The duty to seek best consideration is subject to certain exceptions, most notably section 2 of the Local Government Act 2000 providing the Council with well-being powers to accept a disposal at undervalue within the £2 million threshold, where the authority considers the disposal will help it to secure the promotion or improvement of the economic, social or environmental well-being of its citizens. If the above test can be satisfied the General Disposal Consent (England) 2003 can be relied upon without the need to seek consent from the Secretary of State.

Whenever the council enters into contracts for goods, works or services above certain thresholds, it must comply with the Public Contracts Regulations 2015 and its own procurement rules. It will be critical therefore to ensure that the agreement for lease does not meet the definition for a contract for works under these procurement regulations, otherwise it will need to be procured in compliance with these regulations. This will turn primarily on the nature and extent of any obligations imposed on the tenant in connection with works at the property, and the value of these, bearing in mind the financial threshold in the regulations. If the agreement for lease does not meet this definition it will, as a commercial lease, be treated as a land transaction which falls outside the regulations. Care will need to be taken in drafting the Agreement to ensure this is the case. The service agreement, to be linked to the lease, will also need to fall outside the regulations or otherwise fit under an exemption.

Whenever the council grants an interest in land for less than market value, this raises the risk of the arrangement comprising a public subsidy under the Subsidy Control Act (and BEIS Guidance) - in respect of the potential value foregone. We have reviewed the information currently available to us (including a subsidy assessment that has been undertaken) and based on that information we are comfortable that there is a compliant route through the public subsidy regime. This will need to be kept under review as the project develops.

**Legal Team Leader:** Eric Andrews, Team Manager – Commercial & Governance 12 October 2023

**Implications on IT:** I can see no implications on IT in regard to this activity.

**IT Team Leader:** Alex Simpson – Lead Enterprise Architect 5 September 2023

**HR Advice:** There are no HR implications evident in the proposals.

**HR Partner:** Chris Hather – HR Consultancy Manager – Growth and Regeneration 6 September 2023

<b>EDM Sign-off</b>	John Smith, Interim Executive Director Growth and Regeneration	23 August 2023
<b>Cabinet Member sign-off</b>	Cllr Craig Cheney, Deputy Mayor for City Economy Finance and Performance, and Cllr Ellie King, Cabinet Member for Public Health and Communities	11 and 13 September 2023
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	9 October 2023

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>YES</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>YES</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>YES</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>