

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 18th June 2018
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PORTFOLIO: Leader of Council and Cabinet Member for Regeneration and Strategy - Cllr Swindlehurst

PART I **KEY DECISION**

FORMER THAMES VALLEY UNIVERSITY CAMPUS AND MONTEM LEISURE CENTRE DEMOLITION

1 Purpose of Report

- 1.1 On 22 January 2018, Cabinet agreed to the granting of an option over the Heart of Slough North West Quadrant Site ("NWQ") to Slough Urban Renewal ("SUR") and delegated authority to the Director of Finance & Resources (Section 151 Officer), in consultation with the Leader of the Council, to agree the final terms of the option. The final terms of the option include a requirement for SUR to pay any reasonable development costs incurred by Slough Borough Council ("SBC" or "the Council") including demolition and remediation costs in respect of the NWQ until such time as the NWQ site (or relevant part) is drawn down by SUR for development to commence.
- 1.2 Whilst the empty existing buildings on the NWQ site have been de-listed by the Valuation Office Agency from the date of acquisition, they are still unsightly buildings that attract anti social behaviour and incur monthly security costs. Against this background and with a view to maintaining the momentum of Council-led regeneration, this report seeks approval for a budget to demolish the buildings prior to transferring the sites to the SUR.
- 1.3 At the same time approval is sought to agree a demolition budget for the Montem Leisure Centre, which was optioned to SUR in March 2013 and is due to become vacant on the completion and handover of the Farnham Road Leisure Centre.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- 2.1 That a demolition budget of £4m be agreed to cover vacant buildings on the NWQ and the Montem Leisure Centre sites; and
- 2.2 Subject to 2.1 above, that delegated authority be given to the Director of Regeneration, following consultation with the Leader of the Council, to agree the final procurement contracts.

3. **The Slough Joint Wellbeing Strategy, the Joint Strategic Needs Assessment, and the 5-Year Plan**

The promotion and delivery of high quality new housing will maximise the value of the Council's asset base, increase council tax receipts and provide an income stream which could contribute to the provision of front line services.

3a. **Slough Joint Wellbeing Strategy Priorities**

Expedient construction of the schemes will improve local temporary employment opportunities, as well as increase opportunities for apprenticeships, enabling local people to improve their learning and skills base. Redeveloping the sites as quickly as possible will improve the quality of the built environment and the image of the town whilst providing much-needed high quality housing.

The schemes will be designed with on-going management and safety as a key consideration and the sites will be demolished and constructed in line with current Health and Safety regulations.

3b. **Five-Year Plan Outcomes**

Working expediently to procure a demolition contractor allowing for the construction works to commence earlier on these major regeneration sites and will address the Five-Year Plan outcomes through the following:

- **Outcome 1** – Ensuring that the schemes are designed in line with amenity requirements and create safe, useable and interesting public spaces will contribute towards Slough children growing up to be happy, healthy and successful.
- **Outcome 2** – High quality new homes and public spaces will attract residents who are likely to manage their own care needs.
- **Outcome 3** – Major schemes that make statements of quality will encourage people to live, work and stay in Slough.
- **Outcome 4** – The delivery of mixed-tenure residential-led schemes will directly contribute towards our residents having access to good quality homes.
- **Outcome 5** - developing Grade A office space, retail and leisure uses on the NWQ site will help attract and retain businesses whilst directly creating opportunities for our residents.

4 **Other Implications**

a) Financial

SUR is a Limited Liability Partnership owned by SBC and Morgan Sindall Investments Limited ("MSIL"). Generating a commercial return for the partners is part of SUR's objectives.

For the NWQ it is anticipated that SUR will pay to the Council out of development sale receipts a minimum land value which covers all acquisition costs (land payments, stamp duty land tax, acquisition legals etc.) and that SUR will also be obliged to reimburse to the Council out of development sale receipts:

- the Council's demolition and remediation costs and any other reasonable development costs incurred by the Council in respect of the NWQ; and
- the Council's net finance holding costs (calculated at 3% per annum in respect of the Council's original acquisition costs and the Council's reasonable development costs (as referred to above) from the date on which the costs are (in each case) incurred by the Council, less any net meanwhile income) until such time as the NWQ site (or relevant part) is drawn down by SUR for development to commence in addition to a share in the development profits.

For the Montem site the residual development value of the site (i.e. the value at which it will transfer to SUR) should increase by an amount commensurate to SBC's expenditure on demolishing the site.

b) Risk Management

Subject to SBC undertaking the demolition works and the subsequent developments being undertaken via SUR:

Risk	Mitigating action	Opportunities
Legal –	No risks identified.	
Property – House prices could fall, resulting in anticipated sales values being unachievable.	Morgan Sindall Group plc are a commercial partner and will ensure all development realised is financially viable and synced to market cycles.	On the NWQ site the reasonable development costs incurred by SBC (including demolition and remediation costs) will be paid from the development along with holding costs at 3% pa. as referred to above.
Human Rights	No risks identified.	
Health and Safety – workers are harmed or killed during the course of demolition, or local residents are harmed accessing the site.	A competent and experienced demolition contractor will be procured and appointed.	Contractor on site at all times during demolition to ensure site security.
Health and Safety – hazardous materials within the structures	All asbestos removed from site with all necessary certification.	Cleared ground conditions on the sites will enable the subsequent developments to progress with reduced risk.
Employment Issues –	No risks identified.	
Equalities Issues	No risks identified.	
Community Support	No risks identified.	
Communications	No risks identified.	The early commencement of demolition on the NWQ site is a positive story that improves the public realm before construction works even commence and continues the momentum of regeneration in the Heart of Slough.

Community Safety – local residents/workers harmed during demolition.	A competent and experienced demolition contractor will be procured and appointed.	
Risk	Mitigating action	Opportunities
Finance – Exposure to increased cash flowing of costs.	The expenditure incurred Will be recoverable from the receipts received from SUR.	Holding costs (3% pa) are accrued against reasonable development cost on the NWQ site as referred to above.
Finance – The developments do not generate a profit or make a loss.	The Council has taken independent advice on costs and revenue to ensure that the projects are viable and will deliver a profit.	Should the sales periods be shorter/ values higher than anticipated it may result in an increase in the Council's share of the profit.
Finance – Higher than anticipated demolition costs.	The demolition budget includes a £500k contingency allowance.	
Timetable for Delivery – schemes are delayed unnecessarily.	Works are anticipated to be procured and undertaken in advance of the schemes achieving planning consent.	Cleared ground conditions on the sites will enable the subsequent developments to progress sooner.
Governance –	No risk identified	
Performance – failure to demolish buildings competently.	Competent and experienced demolition contractors will be appointed and all tenderers without previous relevant experience will be excluded.	NWQ will be the most technically difficult and expensive demolition SBC has ever commissioned and should attract the best in class contractors.
SBC Capacity – SBC Officers unable to operate within commercial timescales.	Property Services have experienced project managers with capacity to undertake the commissioning and the management of the works.	
Planning – the demolition proposals do not achieve Prior Approval.	Competent and experienced demolition contractors will be appointed and all tenderers without previous relevant experience will be excluded.	
Ecology – protected species may be harmed during construction.	Competent and experienced demolition contractors will be appointed and ecology reports/ mitigation will be undertaken prior to demolition.	

c) Human Rights Act and Other Legal Implications

There are no Human Rights Act and other legal implications associated with this report.

d) Equalities Impact Assessment

There are no equalities issues associated with this report.

e) Property Issues

See section 5 below.

5. **Supporting Information**

Background

5.1 The Former Thames Valley University (“TVU”) Campus was acquired by SBC in April 2017. The vacant buildings were de-listed from business rates as soon as the site was acquired but they remain unsightly, attract anti social behaviour and incur significant security costs.

5.2 Montem Leisure Centre was part of the original portfolio of sites optioned to SUR in 2013. The new Leisure Centre on Farnham Road is anticipated to complete by March 2019 - from which point the Montem Leisure centre will be vacant. If the demolition works are procured now, the contract is valid for a year enabling the commencement of demolition as soon as the operator moves premises. Joint procurement will give economies of scale and will allow the Council to reduce expenditure on business rates and security.

Options

5.3 **Option 1** - Do not allow additional funds to be made available to cover the demolition costs.

- The benefits are that the risks associated with the demolition works are deferred to SUR rather than being born solely by SBC and there is no need to cash flow the demolition costs.
- The costs are that empty business rates and additional security costs may be incurred (estimation based on 6 month business rates on the leisure centre (c.£63.5k), 6 months council tax on the two lodge properties (c.£1.5k) and 9 months security (c.£45k) equating to circa £110k.)

5.4 **Option 2** (recommended option) - Provide funds for the demolition that will be recouped from the development projects.

- If funds are made available now, the SBC appointed demolition contractor can progress the works with no delays and leave the areas as the future development contractor would wish to find them. This would have the added value of de-risking the projects in relation to unforeseen costs associated with poor ground conditions.
- The costs are that SBC have to cash flow significant expenditure and participate in development risk to recuperate the expenditure/ land value loan notes which are paid down on the successful completion of the schemes.

6 **Comments of other Committees**

None.

7. **Conclusions**

- 7.1 The redevelopment of the former TVU and Montem sites are key regeneration schemes that have the capacity to provide a combined total of 1,500 new homes .
- 7.2 Although the financial cost of doing nothing is relatively small, the improved neighbourhood security, urban aesthetics and development programmes of demolishing the vacant buildings as soon as possible are considered to outweigh any financial risk associated with cash flowing the additional expenditure.

8 **Appendices**

- 8.1 None

9 **Background Papers**

None