

Name of meeting: Cabinet
Date: 26th July 2022
Title of report: Estates Building Conservation and Remedial Works

Purpose of report: To seek approval to vire approved funding between projects supported by the Heritage Action Zone programme to enable essential remedial works.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes/ no or Not Applicable Yes. If yes give the reason, why Approval will result in expenditure of more than £250,000.
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?	Key Decision – Yes - issued 30th May 2022 Private Report/Private Appendix – No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	David Shepherd, Strategic Director Growth & Regeneration 7th June 2022
Is it also signed off by the Service Director for Finance?	Eamonn Croston – 13th July 2022
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft 31st May 2022
Cabinet member portfolio	Cllr Turner, Regeneration portfolio

Electoral wards affected: Newsome

Ward councillors consulted: Newsome Members

Public or private: Public

Has GDPR been considered? Yes, not applicable

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1. Summary

- 1.1 The Council's Capital programme includes £11,345,000 for the delivery of Kirklees' Heritage Action Zone (HAZ) programme. This includes £1,920,000 from Historic England, and £7.95 million from the Council capital programme. Kirklees Council secured an added £1.365 million from the Getting Building Fund for development of the George Hotel.
- 1.2 The Council directed £7.5 million of HAZ funding to the George Hotel, and £3.85 million to the Estate Buildings. Phase one works, the focus of the HAZ programme, deliver essential repairs and restoration of heritage features to make the buildings safe, watertight, and investment ready. Phase two for the George is the construction of a new Hotel. Phase two for the Estate Buildings is residential.
- 1.3 Work on phase one of the George is underway, and once completed, total expenditure will be £5.4 million, leaving a surplus of £2,016,000. Following completion of all survey works, the projected costs of delivery of phase one for the Estate Buildings is £5.556 million. Set against a capital allocation of £3.85 million, there is a potential budget shortfall of £2 million. This discrepancy arises because:
 - The extent of damage to the building is far greater than expected.
 - Construction costs across the sector have escalated and continue to rise in a contracted market.
 - A limited pool of available contractors with the correct skills.
 - Projected costs are pre-tender estimates and include high contingencies.
 - The Council distributed funding to the two projects based on high-level surveys, since clarified.
- 1.4 This report sets out a way to deliver both projects within the existing HAZ budget, and HAZ programme timescale. The report recommends Cabinet vires approved funding within the HAZ programme, from the George Hotel to the Estate Buildings, to enable completion of essential remedial works for both buildings.

2. Information required to take a decision

2.1. Background

- 2.1.1. The Grade two Listed Estate Buildings, owned by Kirklees Council, include 52,000 sq. ft. of space. Positioned in the commercial centre of Huddersfield directly opposite Huddersfield Railway Station and next to St. George's Square, Estate buildings are only a short walk to a wide range of independent and larger multiple retailers and the University of Huddersfield campus.
- 2.1.2. Constructed chiefly for use as the Ramsden Estate Office, the Council has used the buildings more recently as office space, storage, and social housing. The building is underoccupied due to the rising costs of upkeep. The buildings are less adaptable to modern office requirements. Redevelopment of the Estate Buildings is a key part of the Huddersfield Blueprint and, together with the George Hotel, form part of the Kirklees Heritage Action Zone (HAZ). It is also within the boundary set by the emerging 'Station to Stadium' masterplanning work.
- 2.1.3. The market for high quality development in Huddersfield town centre is untested. The existing market is dominated by student accommodation, and smaller residential units often with lower quality specifications, including lower internal space standards. Utilising Estate Buildings for residential development is an opportunity for the Council to use its own heritage assets to create a high-quality product with excellent space standards. It provides

the chance to set the standard and start to create the residential market which will support the wider Blueprint vision and provide an exemplar to the wider development market of the quality which can be achieved using Huddersfield's heritage assets, building on the remedial works.

2.2. Options

Officers have explored a range of options to deliver the necessary works on the Estate Buildings.

2.2.1. Option 1: postpone or cancel delivery and await Council approval for extra resources

Officers considered delaying delivery and returning to Council with a request for extra funding for the HAZ programme. However, delays will mean greater costs, uncertainty for retailers in the affected area, and impact on delivery, as works would extend to the winter months. Cancelling the project would lead to a failed HAZ programme, loss of funding from Historic England, and not address the need for essential repairs to the Estate Buildings.

2.2.2. Option 2: reduction in the scope of works

Officers reviewed the scope of works to identify any 'non-essential' works, preventing further deterioration and reducing ongoing maintenance costs. However, this approach would mean that Historic England could withdraw their support for the Estate Buildings, as the revised project would remove 'non-essential' but desirable heritage work. This will also affect the desirability of the Estates as an investment asset, as any developer will have to assume responsibility for these works as part of any development agreement for this Grade 2 Listed building.

2.2.3. Option 3: vire funds from the George remedial works to the Estate Buildings remedial works

Cabinet approved funding for the HAZ programme in September 2020. HAZ funding was as an aggregate figure of £11.35 million. Commitments and funding for the two projects are set out in table 1 below.

The George Hotel HAZ Scheme	£4,945,759
The George Hotel HAZ Scheme - HAZ Grant	£1,190,000
The George Hotel HAZ Scheme - GBF	£1,365,000
Total funding George Hotel	£7,500,759
Less actual costs plus committed to 2021/22	£1,634,735
Less contract costs and variance for phase two conservation works	£3,350,000
Provisional sums for development work to December 2021	£500,000
Remaining funds for the project	£2,016,024
Estate Buildings HAZ Scheme	£3,003,720
Estate Buildings HAZ Scheme - HAZ Grant	£840,000
Total funding	£3,843,720
Less actual plus committed to 2021/22	£278,767
Less proposed remedial works contract	£5,566,000
Budget deficit	£2,001,047
George Surplus (to phase two)	£2,016,024
Estate's deficit virement	£2,001,047

Table 1: Balance of HAZ Capital funding to support virement

2.2.4. Table 1 highlights budget and commitments for the HAZ programme as of 25th May 2022.

The table confirms a budget surplus for the George Hotel, following completion of remedial works, of £2,016,000. Based on the robust pre tender estimate of £3.5 million, the table confirms a budget deficit of £2,001,047 for the Estate Buildings. Officers recommend Cabinet approves option three, enabling works to start quickly and minimise impact on project timescales. Importantly, delivering the works now complements planned works on

Byram Arcade, to run concurrently with the Estate Buildings. This will lead to cost and delivery efficiencies and minimise impact on local businesses.

3. Implications for the Council

The delivery of essential remedial works and restoration of heritage features of the Estate Buildings contributes to Kirklees cross cutting outcomes.

3.1. Working with Partners

Officers engaged Emergency Services to raise awareness of works and their impact on access to Station Street. Officers have met with local businesses, to understand their concerns and to develop shared approaches to support footfall as works progress.

3.2. Place based working

The Estate Buildings project follows wider consultation with the public for the development of the Huddersfield Blueprint and plans for the Station Gateway. The project benefits from consultation with groups working with the Huddersfield Heritage Action Zone, such as the Civic Society. Officers have informed Ward members, and portfolio holder views informed the project.

3.3. Climate Change and Air Quality

The project supports the Council's ambitions to tackle the climate emergency by improving energy efficiency, introducing improved windows, and extensive repairs to roofing.

3.4. Improving outcomes for children

No impact

3.5. Other (e.g., Legal/Financial or Human Resources)

There are no legal or Human Resource implications. The relevant Financial Procedure Rule at paragraph 3.11 states:

The Cabinet is authorised to:

- 1. Transfer Resources within programme area without restrictions.*
- 2. Transfer resources between any project or programme area up to a maximum of £2,000,000 in any financial year.*
- 3. Transfer resources within programme areas between any year within the approved capital plan, subject to compliance with 3.14 and 3.16.*

3.6. Cost of living

Delivery of essential remedial works is an essential prerequisite for the longer-term development of housing in the Estate Buildings. These plans include opportunities for a more diverse housing offer in the town centre, including more affordable housing. Housing located in the town centre, close to local amenities and transport hubs also provides the opportunity for people to live more sustainably without access to a private vehicle.

3.7. Do you need an Integrated Impact Assessment (IIA)?

There is no IIA needed.

4. Consultees and their opinions

4.1. The project includes scaffold, hoarding, removal of car park spaces and temporary amendments to road access. Officers have engaged with key stakeholders affected by these works. It should be noted that:

1. The works require temporary closure of four car parking spaces on Station Street used by taxi drivers. Officers engaged drivers' representatives to agree alternative arrangements.
2. Officers will engage emergency services to ensure works, and access to Station Street, do not affect services.
3. Officers continue to engage local businesses to minimise the impact of works on footfall.
4. Officers met the portfolio holder on 9th June 2022. The report was circulated to Newsome ward members and to Councillors who are part of the emerging Huddersfield Partnership on or ahead of publication on 18th July 2022.

5. Next steps and timelines

5.1. Officers will evaluate the tender returns to identify the preferred contractor with the intention that the preferred contractor will mobilise in August and works will start on site in September 2022.

6. Officer recommendations and reasons

6.1. To approve virement of £2 million HAZ Capital funding from the George Hotel to the Estate Buildings.

6.2. We have a robust pre-tender estimate of £3.5 million and tenders are due to be returned and evaluated later this month. Given the current volatile market of increasing prices and inflation we are currently seeing tender price increases of 20%-25% so therefore asking for delegation for the Strategic Director of Growth and Regeneration in conjunction with the Service Director for Finance / S151 Officer to apportion further funds if required of up to 25% over the pre tender estimate.

7. Cabinet Portfolio Holder's recommendations

The Cabinet Portfolio Holder recommends Cabinet accepts the officer recommendations in full.

8. Contact Officers

- David Martin, Head of Corporate Landlord and Capital, david.martin@kirklees.gov.uk
- Simon Taylor, Town Centre Programmes, simon.taylor@kirklees.gov.uk

9. Background Papers and History of Decisions

Cabinet Report: 22nd September 2020: Huddersfield and Dewsbury Town Centre Finance Report

10. Strategic Director responsible

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