

**Name of meeting:** Cabinet  
**Date:** 22 September 2015

**Title of report:** Southgate Huddersfield: Site preparation

<b>Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes Proposed expenditure exceeds £250,000
<b>Is it in the <a href="#">Council's Forward Plan?</a></b>	Yes 06/08/15
<b>Is it eligible for call in by <a href="#">Scrutiny?</a></b>	Yes
<b>Date signed off by <u>Director</u> &amp; name</b>	Jacqui Gedman – 07/09/15
<b>Is it signed off by the Director of Resources?</b>	David Smith – 03/09/15
<b>Is it signed off by the Assistant Director - Legal, Governance &amp; Monitoring?</b>	Julie Muscroft – 03/09/15
<b>Cabinet member <a href="#">portfolio</a></b>	Transportation, Skills, Jobs and Regional Affairs Resources and Community Safety

**Electoral [wards](#) affected:** The site is located in Dalton Ward and adjoins Newsome Ward.

**Ward councillors consulted:** The Ward councillors of both Dalton and Newsome have been consulted.

**Public:** Report and Appendix 1: Site plan

**Private:** Appendix 2: Cost breakdown estimate

## 1.0 Purpose of report

- 1.1 To seek approval for an outline specification for, and expenditure on, works and fees for demolition and associated activities, in order to prepare the site for development, and to note an outline programme for site clearance works.

## **2.0 Key points**

### ***a) Background***

- 2.1 On 30 June 2015, Cabinet noted a report relating to Old Leeds Road Huddersfield advising that, following the exercise of the Chief Executive's emergency powers during the election period, the Council had entered into an Exit Agreement with Tesco Stores Ltd and other Tesco group companies on 18 May 2015. Under the Exit Agreement, the parties withdrew from the Agreement for Sale of 2010, the Council retained its land, Tesco transferred its adjoining land to the Council, and Tesco made an appropriate financial settlement to the Council.
- 2.2 Tesco was to have re-developed the site for a retail store, but in January 2015 abandoned plans there and at 48 other sites across the UK. As a result of the Exit Agreement and Transfer, the Council now owns the entire development site between the ring road (Southgate), Leeds Road and Old Leeds Road which extends to approximately 2.744 hectares (6.785 acres). A site plan is included at Appendix 1, with the boundary edged red. Crown House adjoins the site to the south-west.
- 2.3 Cabinet also noted that officers were making arrangements for site security. Proposals would be drawn up for demolition, and options for end use(s) worked through, and reports on both these matters would be brought to Cabinet for decisions in due course.
- 2.4 At the same meeting Cabinet also endorsed a report on 'Capital Investment Plan 2015/16-2019/20 Inclusive of Rollover'. The report included a recommendation that £2 million of additional capital investment be included within the Strategic Asset Utilisation priority to meet cost pressures relating to clearance works at strategic sites, and was approved by full Council on 29 July 2015.
- 2.5 The present report deals with site preparation at Old Leeds Road, now re-named 'Southgate Huddersfield' for marketing purposes. It considers the extent of proposed demolition; an outline specification for the works; the estimated costs including expenditure on other activities prior to any disposal and development of the site; and an outline programme for the works.

### ***b) Extent of proposed demolition***

- 2.6 All the buildings on the Southgate site are now vacant. Replacement facilities have been provided off-site, in the form of the new Huddersfield Leisure Centre at Spring Grove, a new data centre, and IT staff relocated to existing Council offices. On the north side of Leeds Road, Harold Wilson Court (formerly Richmond Flats) has been refurbished and is managed for the Council by Kirklees Neighbourhood Housing (KNH). A Car Park Closure Order was implemented on 27 April 2015.

- 2.7 The Council has taken commercial advice from consultants DTZ. In their report, DTZ state that “it is our opinion that all buildings, possibly with the exception of Ibbotson and Lonsbrough Flats for reasons we will explain further, would need to be cleared to enable future development. First, “whilst it might be perceived that the Pine Street car park could offer some utility within a future scheme, the location of this at the prime frontage of the site would not be favoured by the development market.
- 2.8 “In terms of the other assets within the site, the Sports Centre has clearly reached the end of its economic life and does not have an identifiable market which would be prepared to invest significant sums required to bring it back into repair and up to a modern standard. Likewise the computer centre, which was of a bespoke design, has again reached the end of its useful economic life and there is not a perceived demand which could show viability. It is an asset which would require significant expenditure to bring it into use with only relatively low capital values achievable. Even if, for example, converted to full office use, other offices close by are readily available ... including for example Crown House.
- 2.9 “In terms of the other commercial buildings on the site, including those [acquired from] Tesco, all of these are in a dilapidated or advanced state of disrepair and in our opinion again they have reached the end of their useful economic life. A sale of the buildings as standing in isolation would be problematic and unlikely to show value in excess of site value”.
- 2.10 Finally, DTZ considered whether there is value remaining within the two multi-storey blocks of Ibbotson and Lonsbrough Flats. As part of this, they undertook outline development appraisals, taking into account the capital cost of remodelling the similar Richmond Flats in 2013, for conversion to alternative types of housing. DTZ first appraised options for sale in the market; renting in the open market; and student accommodation. They concluded that “each of these three proposals show significant negative residual values and ... have to be regarded as unviable”. The consultants also considered conversion for the social rented sector by either a Registered Provider or the Council. DTZ looked at borrowing costs and rental streams, and concluded that “in pure economic terms, given the cost of conversion at circa £6.3 million [for both blocks], some form of budget subsidy would be required in order to pursue either of these two options”.
- 2.11 In DTZ’s opinion, retention of the flats “would lose both the potential for achieving site redevelopment value, and prime frontage for the remainder of the site. In other words there would be an opportunity cost. Firstly, there would be a loss of approximately 0.498 hectare (1.231 acres) of the most valuable element of the site... off-set by the second effect, namely the saving in the demolition cost of the flats”. DTZ’s calculations showed that the first figure would outweigh the second, with the result that there would be a net opportunity cost if the flats were to be retained.
- 2.12 Furthermore, retention of Ibbotson and Lonsbrough Flats would compromise the comprehensive re-development of the entire site. Not only do the blocks

occupy approximately 49% of what DTZ consider to be the prime frontage land, but they also take up around 18% of the entire site. This is not to say that residential development would be unviable on the site, but if it is to be included it would be better to procure housing through new development rather than conversion of existing buildings.

- 2.13 Richmond Flats was refurbished in 2013 because, under the Agreement for Sale with Tesco, the Council needed to re-house tenants from Ibbotson and Lonsbrough Flats to make way for a new store development. Richmond Flats provided an opportunity nearby to forward-fund the delivery of modern accommodation in a timely manner. The finished scheme is also considered to be a relative success in its own terms.
- 2.14 An additional consideration now, in respect of the Flats and all other buildings within the development site, is the holding costs including business rates, insurance, maintenance and security of around £160,000 per annum, which should reduce significantly once demolition works take place.

**c) Outline specification**

- 2.15 From the foregoing, it is proposed that – with the exception of the freestanding electrical sub-station as will be explained later – all buildings and structures on the site will be demolished as follows (the references are on the site plan at Appendix 1):

- A Old Sports Centre
- B Lonsbrough Flats
- C Ibbotson Flats
- D Former Pine Street Car Park
- E Former Computer Centre (8 Old Leeds Road)
- F Ex-Truck Force Tyres premises (10 Old Leeds Road)
- G Ex-Calder Vets premises (12 Old Leeds Road)
- H Garage building at ex-Preedys Warehouse
- I Ex-Preedy's Warehouse (16 Old Leeds Road)
- J Ex-Ardor Engineering factory (un-named road off Pine Street)
- K Ex-Theatre In premises (un-named road off Pine Street)

- 2.16 The outline specification for the works has been informed by a number of criteria:

- i. Avoiding pre-judging the final use(s) and form of development – to prevent unnecessary works and expenditure by the Council in making the site marketable and developable;*
- ii. Minimising the import and export of material to and from site – to keep the costs and environmental impact including traffic generation to a minimum;*
- iii. Assessing the suitability for temporary use(s) – such uses generally mean a higher specification of surface finishes and therefore greater cost and timescale. Most have been ruled out to keep the last two variables to a*

minimum, in some cases alternative locations are available, and there is uncertainty as to when a disposal or development of the site would occur which makes planning for any temporary use difficult:

- *Car parking* – the off-street car park adjoining the Sports Centre primarily served that facility, and the Pine Street car park offered overspill spaces when the Sports Centre hosted large indoor events;
- *Outdoor events* – other locations are available, notably St George’s Square, The Piazza, Cambridge Road car park, and Greenhead Park;
- *Public space/public art* – there is potential between completion of demolition works and disposal or development of the site to re-open the landscaped area at the junction of Leeds Road and Southgate for public enjoyment;

iv. *Obtaining highway stopping up orders free of legal challenge* – for both the demolition phase and post-demolition; and

v. *Meeting health and safety and security requirements* – both during and after implementation of the works.

2.17 In undertaking the works, care will be taken not to damage existing communications cabinets and the freestanding electrical sub-station (near to Lonsbrough Flats) that is on a long lease to Northern Powergrid to 2021 and could be incorporated into the final development. In the meantime, only minimal utility diversions will be undertaken. An exception is the sub-station that is inside the Sports Centre building, and serves properties beyond the site boundary for which supplies can be diverted relatively easily and cost-effectively. No new services will be provided to the site; that task will be left to the end-developer. Existing roads and footpaths within the site will remain untouched as some contain services beneath them and may be of benefit to the developer’s scheme, but access will be stopped up during the course of works for reasons of public safety.

2.18 Any asbestos will be removed from buildings prior to demolition. As part of demolition works, foundations and other sub-structures will be grubbed out. All demolition materials will be screened and wherever possible recycled; the granular material will be crushed to a recognised standard typically used for backfilling and construction. Depressions such as the pool tanks of the old Sports Centre will be filled and the site generally graded to deal with significant level changes including between the lower deck of Pine Street car park and adjacent ground.

2.19 Subject to confirmation of a stopping up order free of legal challenge to keep highways within the site closed following demolition, the perimeter would receive a 2.4 metre high solid timber hoarding to ensure no unauthorised access and prevent dust escaping. It would have gates to allow utility companies to reach the retained sub-station and other services, and be painted to provide a backdrop for marketing the development opportunity. Street lighting inside the site would be disconnected to reduce running costs.

**d) Estimated costs**

2.20 The total budget is up to £1.75 million to cover the estimated costs of:

- site clearance works and fees;
- production of a development brief;
- marketing activity, commercial agency, and legal costs associated with any subsequent disposal of the site; and
- contingency provision.

2.21 A breakdown is provided in Appendix 2 in the private part of today's agenda.

**e) Outline programme**

2.22 Milestone dates in the indicative programme for the site clearance works are:

October 2015	Submission of Planning prior approval application
November 2015	Determination of Planning prior approval application
November 2015	Tender period for works starts
December 2015	Tender period for works ends
January 2016	Evaluation of tenders and contractor appointed
February 2016	Contractor mobilisation
March 2016	Works start
September 2016	Works finish

**3.0 Implications for the Council**

**a) Policy**

3.1 Site preparation will contribute to Priority Four, Infrastructure, of the draft Kirklees Economic Strategy 2014 - 2020, with the potential to meet some or all of the following actions subject to the eventual end-use(s) on the site:

- 4a Use housing growth to support economic development and quality of life, through delivery of more, better and affordable housing; including in town centres;
- 4b Develop strategic employment sites to stimulate jobs and growth; and
- 4j Develop the Resource Smart Corridor plan for a network of high quality hubs and corridors and integration of physical and knowledge assets along the district's strategic corridors.

3.2 Final site development is likely to contribute to other aspects of the Strategy, including actions under Priority Five, Quality Places.

**b) Finance**

3.3 Capital expenditure at Southgate would be met from the provision for site clearance works within the Strategic Asset Utilisation priority in the Capital Investment Plan 2015/16 - 2019/20, whilst leaving funds to deal with works at a number of smaller Council-owned sites.

**c) Legal**

3.4 The Council is under a statutory duty to obtain the best consideration that can reasonably be obtained when disposing of land and property. Circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003, issued by the Department for Communities and local Government (DCLG), states that best consideration is generally the unrestricted Market Value (MV) and is the best price reasonably obtainable for the disposal where the principal aim is to maximise the value of the receipt. The opinion of the Council's commercial consultants DTZ is that in the case of the Southgate site, Market Value would be achieved through comprehensive demolition and re-development.

3.5 The intention is to use the permitted development right found in Class B of Part 11 of Schedule 2 of the Town and Country Planning (General Permitted Development) Order 2015 to undertake the demolition works. Under the Prior Notification procedure, the Local Planning Authority will consider the site and buildings survey reports, proposed method of demolition and proposed restoration of the site.

**d) Procurement**

3.6 Site and buildings surveys (comprising topographical, bat roost and emergence, ecological and asbestos) are being carried out by specialist companies. The relevant statutory undertakers will implement service disconnections. The demolition works will be procured from the Council's Standing List for Demolition Contractors, and around six tenders will be invited. Asbestos removal is likely to be sub-contracted by the demolition contractor to a specialist firm.

**4.0 Monitoring and review**

4.1 A project governance, management and delivery structure has been established. Project delivery teams – including ones responsible for demolitions, communications and, in due course, development brief – report to a project team, which in turn reports to a project board ultimately answerable to Cabinet

## 5.0 Consultees and their opinions

- 5.1 The Council's Place Directorate Management Team, Capital Delivery Board, and Assistant Directors Group have all been consulted and their comments have been reflected in this report.
- 5.2 The Strategic Council Finance Manager, Senior Legal Officers, the Senior Procurement Specialist, the Major Developments Officer in the Local Planning Authority (LPA) and the Head of Building Control & Licensing have advised on financial, legal, procurement, Planning and Building Regulations requirements respectively.
- 5.3 The Contracts Manager Kirklees Neighbourhood Housing has confirmed that KNH's Senior Leadership Team are happy with the report. They have asked for reassurance that appropriate steps will be taken to ensure Harold Wilson Court will be unaffected by the site clearance works, in respect of electric and water supplies and CCTV monitoring, and this is indeed the case.
- 5.4 The site is located in Dalton, and the Ward councillors have been consulted. One of them is the Cabinet Member for Transportation, Skills, Jobs and Regional Affairs whose comments are included in Portfolio holders' recommendation.
- 5.5 Separated by the ring road at Southgate, the site adjoins Newsome Ward whose councillors have also been consulted. Cllr Stewart-Turner is "happy for the site to be cleared and for all the buildings listed [in the report] to be demolished". She has made additional comments which are followed by officers' responses below:
- i. Crown House – "what proposals are there?" Response: the property is on a long lease, and officers are in dialogue with the sub-lessee's agent.
  - ii. Car parking – "over many years we've listened to several officers tell us how we need to boost parking in the media quarter so we can reduce parking and traffic movement in other parts of the town. The removal of the old car park off Leeds Road could make it more difficult for visitors to the businesses in the media quarter. The temporary car park near Lord Street [in Newsome ward] is now for sale as a development opportunity, and I think the Council should seek to buy the site for continued parking to serve the media quarter". Response: the concerns have been noted.
  - iii. Southgate site re-development – "when the site is marketed, I would like it to be promoted for social housing, to help us achieve our housing targets, and reduce the long waiting lists for social housing. I would also like a planting scheme included to help improve the air quality". Response: a draft development brief will be drawn up and presented to a future meeting of Cabinet.



## **6.0 Next steps**

6.1 The next steps include for officers to:

- Prepare and submit a Planning prior notification application to the LPA;
- Prepare and submit notices under the Building Regulations; and
- Procure a demolition contractor.

6.2 Prior to completion of demolition works, a further report will be brought to Cabinet with a draft development brief that would provide guidance on how the site should be developed in line with relevant planning and design policies. The report will also assess if the Council has any use(s) itself for the site, and consider any proposals for marketing the site for disposal to other parties.

## **7.0 Officer recommendations and reasons**

7.1 It is recommended that Cabinet:

- a) approves the outline specification for site clearance works, as set out at paragraphs 2.15 to 2.19 of this report;
- b) approves expenditure not exceeding £1.75 million in total on site clearance, development brief, and any site disposal activities, as set out in paragraphs 2.20 and 2.21 and Appendix 2 of this report;
- c) notes the outline programme for site clearance works, as set out at paragraph 2.22 of this report;
- d) authorises the Assistant Director Physical Resources & Procurement Service, in consultation with the Acting Assistant Director Investment & Regeneration Service and the Assistant Director Legal, Governance & Monitoring, to apply for all necessary statutory and other consents required for site clearance;
- e) authorises the Assistant Director Physical Resources & Procurement Service, in consultation with the Acting Assistant Director Investment & Regeneration Service, and the Assistant Director Legal, Governance & Monitoring, to procure and appoint contractors and consultants for site clearance, development brief, and any site disposal activities; and
- f) agrees to receive a report at a future meeting to consider a draft development brief, an assessment of any Council use(s) for the site, and any proposals for marketing the site for disposal to other parties.

## **8.0 Portfolio holders' recommendation**

8.1 The Cabinet members for Transportation, Skills, Jobs and Regional Affairs, and for Resources and Community Safety, support the officer recommendations.

## **9.0 Contact officers and relevant papers**

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### **Relevant papers**

'Report and Valuation as at 06 May 2015 for Kirklees Council, Land at Old Leeds Road Huddersfield West Yorkshire HD1 1TW', DTZ

'Old Leeds Road Huddersfield: Exit Agreement', Cabinet, 30 June 2015

## **10.0 Assistant Directors responsible**

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## **11.0 Appendices**

1. Site plan
2. Cost breakdown estimate (in the private part of today's agenda)

Appendix 1

Site Plan



**PHYSICAL RESOURCES  
& PROCUREMENT**  
Plan No: 15-0288  
Scale: 1250  
Required by:

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