

# Surrey Heath Borough Council

## Executive

13 February 2024

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### 43-57 Park Street (the House of Fraser building), Camberley

<b>Portfolio Holder:</b>	Cllr Shaun Macdonald
<b>Strategic Director/Head of Service</b>	Martin Breeden
<b>Report Author:</b>	Karolina Bazyluk – Regeneration Manager
<b>Key Decision:</b>	yes
<b>Date Portfolio Holder signed off the report:</b>	29/01/2024
<b>Wards Affected:</b>	Town Ward

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#### Summary and Purpose

The Council owns the property, which comprises the former House of Fraser store, (which closed in May 2023), NatWest and roof top mobile phone aerials.

Following the insolvency of House of Fraser in 2018, it was decided to keep the store trading by way of a rolling short-term lease where the tenant was liable for the business rates but no rent. In anticipation of House of Fraser vacating the property, initial feasibility work was undertaken on a number of options in 2022.

There is no material prospect of letting the space without significant capital expenditure to address asbestos removal, replacement of mechanical and electrical services and other required repairs. In addition, there is no demand from department store operators which means that the building would need significant alterations in order to be re-occupied.

In January 2023 the Executive approved a budget of £255k to progress with a more detailed feasibility study for a substantial refurbishment of the building. A copy of the Executive report is at Annex A. This is commercially sensitive and therefore exempt. The detailed feasibility, including schematic designs, cost estimates and financial appraisals was completed in Summer 2023 and the outcome reported to the Property and Regeneration Working Group. Given the marginal return on the significant investment required, officers were requested to reconsider the original options and some further ideas for the building. Those options were assessed and financially appraised and presented to the Property and Regeneration Working group in January 2024.

In addition to the presence of asbestos, the roof leaks as it is over 50 years old and beyond its intended life.

All future options for the building require the asbestos to be removed. Furthermore, the assessment of the future use of the building is inhibited by the presence of asbestos as surveyors won't undertake detailed building condition, mechanical and electrical and measured surveys until it has been removed due to the health and safety risk. Therefore in order to present more robust costs associated with different options removal of asbestos and undertaking of the surveys is necessary.

## **Recommendation**

The Executive is advised to RESOLVE that, subject to the agreement of the budget by the Ful Council

- (i) authority be delegated to the Head of Property and Economic Development in consultation with the Leader, Portfolio Holder for Performance and Finance and the Strategic Director Finance and Customer Services (Chief Finance Officer) to:
  - a) enter into a contract for the necessary work to remove asbestos from 43-57 Park Street, Camberley, and necessary associated works, including contract award for the procured supplier;
  - b) Following removal of the asbestos, instruct appropriate physical survey and assessment of the roof and other areas to enable procurement of updated cost plans for the re-use of the building;
  - c) As deemed appropriate following detailed surveys and cost estimations, instruct the appropriate repair and replacement works to keep the building wind and watertight, particularly the roof;
  - d) Control the release of all contingency amounts allocated to the project; and
- (ii) officers report back to the Executive on the proposed future use of the building, once the asbestos has been removed and survey work undertaken allowing assessment, with more accurate cost estimates for the feasible options for the re-use of the building.

The Executive is advised to RECOMMEND to Full Council that a new capital bid of £3.5M be approved to

- (i) Undertake enabling works including asbestos removal, and potentially roof repairs or replacement to 43-57 Park Street, Camberley; and
- (ii) Progress with further physical surveys, once the asbestos has been removed, and update the plans for the shortlisted options with more robust cost estimates.

## **1. Reasons for Recommendation**

- 1.1 Regardless of the future use of the building, the asbestos will need to be removed at some stage. Removing it now will minimise the risk of any health and safety and environmental incidents that may occur and reduce the Council's liability to potential claims.
- 1.2 There is no, or very little, money to be saved by doing the asbestos removal as part of a bigger project. It is an operation performed by a specialist contractor in isolation from other construction activities.
- 1.3 The feasibility work undertaken to date demonstrates a wide range of opportunities for the future use of the building, although the financial returns from each are very modest. The cost estimates are high level and more information is required to present the comprehensive financial viability, particularly given the pressures on the Council's finances. Intrusive physical surveys cannot be undertaken until after the asbestos has been removed. Once the survey information has been obtained it may be possible to remove some of the contingency allowances within the cost estimates, providing better clarity on the financial implications of different options.
- 1.4 No commitment to the substantial further expenditure required to reactivate the building is attached to approving recommendations in this paper. However, the proposed work will mark real progress in advancing the project to develop options for the building and reduce risk.

## **2. Proposal and Alternative Options**

- 2.1 The proposed works comprise the removal of asbestos from all vacant areas and the potential selective repair or full replacement of the roof. A decision on whether to replace the roof will be made when the asbestos has been removed, survey work undertaken on its condition and financial analysis of the selected options updated. It may be appropriate to attempt a temporary fix to the roof, particularly if the preferred future option for the building would require substantial alterations to the roof, demolition or mothballing.

The works cost plan is in Annex B. An additional contingency has been added particularly given the risk associated with discovering more asbestos, which requires removal post tendering and whilst work is progressing on site. The cost plan is commercially sensitive and therefore exempt.

- 2.2 An alternative would be not to do the works. It is safe to enter the building to undertake routine inspections and the necessary fire safety systems are operative. However should any repair be required then asbestos would need to be removed in order for the work to be safely undertaken. Removing asbestos on a piecemeal and reactive basis would be more expensive than doing it in a planned manner.

Failure to remove the asbestos, would mean the roof could not be repaired which would mean the interior of the building would further deteriorate. In

addition, the further survey work could not be undertaken which would mean that full information is not available in order to make an informed decision on the best option for the future use of the building.

It is anticipated that the asbestos removal works could take approximately six months and therefore the reactivation of the building, if that is the preferred option, would be delayed by at least this amount of time should the works not take place now.

- 2.3 A second alternative, would be to commit now to a proposed regeneration of the building. However all regeneration options are financially challenging and will need careful consideration which can more easily be achieved with more accurate cost information following the asbestos removal and further survey work, following a stage-gate approach. All the proposed regeneration options will be advanced by removing the asbestos, including demolition.

### **3. Contribution to the Council's Five Year Strategy**

- 3.1 **Protect our environment** – removing the hazardous asbestos will be a significant environmental improvement that will address health and safety and mitigate any potential future risks for the adjacent shopping centre.
- 3.2 **Support strong economy and create more homes** – The potential refurbishment of this property, or alternative options, will help to further develop a unique and engaging offer in Camberley town centre by introducing new uses into this area of the town. These will all contribute to the vitality and footfall within the town centre and will act as a catalyst for further growth.
- 3.3 **Deliver Effective Services with Sustainable Finances** – please refer to Section 151 Officer Comments below.

### **4. Resource Implications**

- 4.1 The project will require the appointment of an external team to specify the works and advise on cost estimating and works control. The Council has sufficient resources to perform its responsibilities in the project.
- 4.2 The capital expenditure would be financed through debt financing (or internal borrowing) and will mean an increase in the Council's capital financing requirement and costs of debt financing and repayment provision which will impact on future revenue budgets.

### **5. Section 151 Officer Comments:**

- 5.1 Although the Council is facing budgetary pressures on both its revenue and capital budgets, it is considered that the work to remove the asbestos from the building in question is both necessary for health and safety reasons and to ensure the site is prepared and accessible for preventative maintenance.

- 5.2 There is a Capital Bid for this project in the proposed budget to be considered by Council on 21 February 2024.
- 5.3 Given the potential value of this contract, it must be procured in accordance with the Council's procurement regulations and the Public Contracts Regulations 2015 (PCR 2015). Appointment of a licensed asbestos removal contractor is to be reported to and approved by Executive.
- 5.4 Given the high value of these works, a 'gateway' process should be followed ensuring correct approvals and budget is agreed before moving to any future development plans (including repairs to the roof – other than emergency repairs for safety reasons).
- 5.5 The potential for cost overrun due to unknown additional asbestos issues is a real possibility on this project, and thus an appropriate contingency has been made; however, this is not authority to spend the contingency and call down on contingency amounts should be agreed by the Portfolio Holder for Performance and Finance and the Strategic Director Finance and Customer Services (Chief Finance Officer).

## **6. Legal and Governance Issues**

- 6.1 The project governance will continue to include a monthly Project Board which is attended by the Chief Executive, s 151 Officer, Monitoring Officer and Head of Property and Economic Development. The Board will continue monitoring the budget and sign off any expenditure.
- 6.2 Any appropriate delegated decisions will involve the Leader of the Council and Portfolio Holder for Performance and Finance.
- 6.3 The project progress will be reported to the monthly Property and Regeneration Working Group.
- 6.4 Any procurement of works or services will comply with Contract Standing Orders and financial regulations.

## **7. Monitoring Officer Comments:**

- 7.1 Full Council must approve the capital programme to include the capital bid recommended in this report. Actual expenditure of the approved capital budget would be a key decision and accordingly a function of the Executive. Should the Executive resolve to approve the delegations set out in the second recommendation, this must be subject to Full Council approval of the capital bid and its inclusion in the capital programme.

## **8. Other Considerations and Impacts**

### **Environment and Climate Change**

- 8.1 See section 3.1 above.
- 8.2 The works will remove the hazardous material from the building and reduce any future health and safety risks it may pose to residents and visitors.

### **Equalities and Human Rights**

- 8.3 Any future refurbishment scheme will be designed in compliance with the Equalities Act with the main focus on accessibility and inclusivity.

### **Risk Management**

- 8.4 Financial – the works have not yet been tendered and there is a risk that the current estimates are exceeded by tendered prices. To plan for this scenario and also the possibility of more asbestos being discovered during the works appropriate contingencies have been included in the budget. In addition, the roof works have not been scoped yet, as the future use of the building and current condition of the roof has not been fully established. However the proposed budget provides for the estimated cost of new roof, or repair as appropriate.
- 8.5 Health and Safety – only contractors with the appropriate expertise and demonstrable track record of good health and safety management will be considered.
- 8.6 The project has a risk register that is reviewed regularly and key risks flagged at the board meetings.

### **Community Engagement**

- 8.7 Community engagement would be undertaken as part any pre-planning application process on the future use of the building at a later stage.

### **Annexes (both exempt)**

Annex A – Executive Report January 2023

Annex B – Cost Summary

### **Background Papers**

None