

**REPORT TO:** Cabinet

**DATE:** 20 May 2010

**SUBJECT:** Balliol House

**WARDS AFFECTED:** Linacre / Derby

**REPORT OF:** Alan Moore - Strategic Director Communities

**CONTACT OFFICER:** Mike Martin - Strategic Finance Manager

**EXEMPT/CONFIDENTIAL:** No

**PURPOSE/SUMMARY:**

To advise Cabinet of the outcome of the application for NWDA grant assistance towards the demolition of Balliol House and to propose a way forward in the light of this decision.

**REASON WHY DECISION REQUIRED:**

To enable the demolition of Balliol House to be progressed.

**RECOMMENDATION(S):**

Cabinet is asked to:-

- a) Note the report;
- b) Agree to the revised proposal for the demolition of Balliol House, with a total cost of £1.3m;
- c) Subject to b) above, increase the capital programme provision for this scheme by £0.55m, to be met from prudential borrowing;
- d) Authorise officers to seek tenders for the demolition of Balliol House;
- e) Agree to the marketing of the former 'Z' blocks site in Netherton, with any resultant proceeds being used to accelerate the repayments of the debt incurred on the initial phases of the Accommodation Strategy;
- f) Note that subject to e) above, a further report will be brought to the Cabinet if sale of the 'Z' blocks site is agreed.

**KEY DECISION:** Yes

**FORWARD PLAN:** Yes

**IMPLEMENTATION DATE:** Following the "call-in" period for the Minutes of the Cabinet meeting.

**ALTERNATIVE OPTIONS:**

The Council could decide not to progress the demolition of Balliol House. However, the vacated building will pose a health and safety risk due to the presence of asbestos in the fabric of the building and there would be an ongoing revenue cost of maintaining a security presence at the site. Furthermore, the revenue budget savings associated with the demolition of Balliol House will not be realised.

**IMPLICATIONS:****Budget/Policy Framework:****Financial:**

The current capital programme contains provision of £0.75m for the demolition of Balliol House. Approval of the revised proposal for the scheme will result in an additional capital cost of £0.55m, to be met from prudential borrowing, the financing costs of which will be contained within the existing Administrative Buildings revenue budgets.

<b><u>CAPITAL EXPENDITURE</u></b>	<b>2010/ 2011 £</b>	<b>2011/ 2012 £</b>	<b>2012/ 2013 £</b>	<b>2013/ 2014 £</b>
Gross Increase in Capital Expenditure	550,000			
Funded by:				
Sefton Capital Resources	550,000			
Specific Capital Resources				
<b><u>REVENUE IMPLICATIONS</u></b>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?	N/A			

**Legal:** None

**Risk Assessment:** The risk of not demolishing Balliol House would be additional revenue costs of securing and business rates of the building.

**Asset Management:** The building had been identified by the Strategic Asset Management Group as being beyond its useful life and a replacement has been provided via the Accommodation Strategy. Demolition of is now essential to minimise any liabilities to the Council

**CONSULTATION UNDERTAKEN/VIEWS**

Accommodation Working Group and Strategic Asset Management Group.

FD 385 - The Head of Corporate Finance and Information Services has been consulted and has no comments on this report.

**CORPORATE OBJECTIVE MONITORING:**

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Creating Safe Communities	✓		
3	Jobs and Prosperity		✓	
4	Improving Health and Well-Being		✓	
5	Environmental Sustainability		✓	
6	Creating Inclusive Communities		✓	
7	Improving the Quality of Council Services and Strengthening local Democracy	✓		
8	Children and Young People		✓	

**LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT**

## 1. Background

- 1.1 It will be recalled that in agreeing to acquire and refurbish St Peter's House, Cabinet also included £750,000 in the 2010/11 Capital Programme for the demolition of Balliol House. The possibility of grant support for the demolition was explored with NWDA and they invited an application for a wider scheme to include the tidying of the strategically important Connolly House site in addition to the demolition and subsequent landscaping of Balliol House. The wider scheme was estimated at £1.4m.

## 2. Current Position

- 2.1 At a meeting with senior NWDA staff and the Strategic Director (Communities) on 30 March 2010, the Council was informed that, owing to programme commitments elsewhere, the Balliol House bid had been unsuccessful.
- 2.2 This news is disappointing, particularly as preparatory investigatory work during the preparation of the bid indicated the presence of asbestos in the external cladding of Balliol House that exceeded the original estimate upon which the initial £750,000 capital programme provision had been framed. In the light of this, Capita have provided a revised estimate of £1.3m for the demolition of Balliol House with minimal landscaping works sufficient to provide some marginal extra car parking capacity within the footprint of the building and a reduced scheme at the Connolly House site.
- 2.3 Balliol House is now substantially empty and will be vacated during May upon the completion of the transfer of the data centre by Arvato to St Peter's House. However, there are some documents (primarily paid invoices and some personal Children's Services records) for which locations for safe storage are currently being sought. Until this is found, it will be necessary to maintain a security presence, which will incur additional cost, thus the full anticipated running cost savings will not be made until demolition occurs.

## 3. Options for Consideration

- 3.1 The revenue budget savings associated with the demolition of Balliol House make "do nothing" as untenable. Therefore, the additional cost of £550,000 will need to be met by the Council. The 2010/11 Capital Programme did not provide any resources for a new starts capital programme from which resources could be diverted to meet this extra cost. Accordingly, the Strategic Asset Management Group (SAMG) are recommending that Cabinet consider that the difference between the new estimate and the existing capital programme provision, £550,000 should initially be met by prudential borrowing. The full year cost of servicing this additional borrowing will be in the order of £47,700 p.a. and will be contained within the existing Administrative buildings revenue budgets.
- 3.2. Further, the SAMG are of the opinion that it is now worth testing the market by disposing of some surplus assets, for example the former housing "Z" blocks in Netherton. The proceeds could be used to accelerate the repayments of debt incurred thus far on the initial phases of the Accommodation Strategy.

3.3. Cabinet are advised that if approval to market the “Z” blocks site is given, a further report will be brought should sale of the site be agreed.

4. Recommendations

Cabinet is asked to:-

- (a) Note the report;
- (b) Agree to the revised proposal for the demolition of Balliol House, with a total cost of £1.3m;
- (c) Subject to b) above, increase the capital programme provision for this scheme by £0.55m, to be met from prudential borrowing;
- (d) Authorise officers to seek tenders for the demolition of Balliol House;
- (e) Agree to the marketing of the former ‘Z’ blocks site in Netherton, with any resultant proceeds being used to accelerate the repayments of the debt incurred on the initial phases of the Accommodation Strategy;
- (f) Note that subject to (e) above, a further report will be brought to the Cabinet if sale of the ‘Z’ blocks site is agreed.