

Cabinet

THURSDAY, 5 OCTOBER 2023

CIVIC QUARTER REGENERATION PROJECT UPDATE

Report of: Chief Executive

Cabinet Portfolio: Corporate Services

Key Decision: N

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. The purpose of this report is to seek Cabinet's agreement to pause further work on the Civic Quarter regeneration project.

RECOMMENDATION

2. Work on the Civic Quarter Generation project should be paused until such time as the prevailing economic climate and market conditions are suitable to support the delivery of a viable and comprehensive regeneration opportunity.

BACKGROUND

3. In April 2020 the Council commissioned a multi-disciplinary team to help inform the commerciality of the potential regeneration of the Fleet Civic Quarter (broadly comprising the Civic Office, the Library, the Harlington, and Victoria Road car park). The purpose of the project was to understand the available regeneration options to achieve a viable and deliverable solution which would create a vibrant quarter centred around the civic and cultural offerings within Fleet.
4. A master planning exercise subsequently highlighted that there were two scheme options that offered the strongest long-term masterplan for Fleet
 - I. The existing Civic office building retained/refurbished with 2 sub-options reviewed, 1. Residential refurbishment (Option C) or 2. Office refurbishment (Option D)
In both Options C and D
 - II. The Harlington was to be demolished and a new build Harlington performance centre re-provided with active edges on the high street
 - III. The current library is demolished, with a new build residential block to be built to include a re-provided library.
5. In light of the prevailing economic situation, particularly rising costs and interest rates, and the need to conduct evidence-based financial checks and move forward cautiously, Cabinet decided in December 2022 to commission a review of the Project's viability.

THE REFRESHED VIABILITY REPORT

6. The refreshed viability report is attached at Appendix 1. In summary it highlights that the rise in build costs and the increase in the cost of borrowing, combined with static values means the business case for options C and D in its entirety has become more challenging. This is primarily due to the increased funding deficit for the re-provision of the Harlington where costs have risen to c.£18M in comparison to the £16m previously forecast.

7. The refreshed viability report comments that the scope for development to deliver significant cross-subsidy is limited by virtue of the modest level of development within the masterplan and therefore modest land receipts. The potential for cross-subsidy has also diminished, primarily due to rising costs.
8. It goes on to suggest that a way forward could be to address refurbishment or redevelopment of the civic office building in isolation (as an early phase of work), which could allow parallel workstreams to be progressed including a more detailed examination of the Harlington options.
9. The Harlington business case it says, should be built around the long-term revenue considerations, rather than a reliance on commercial development cross-subsidising significant community investment with funding from HDC/FTC. At c.£18M, the anticipated development costs are creating a significant funding gap.

CONSIDERATIONS

10. The Civic regeneration project at the current time is unviable. Therefore, the primary objective of delivering a viable and comprehensive redevelopment of the Civic Quarter cannot be achieved in the foreseeable future.
11. Whilst it is suggested that a way forward could be to address refurbishment or redevelopment of the Civic Offices in isolation (as perhaps an early phase of work), this does not in itself require the continuation of the current Civic Regeneration project. The Council has already successfully sought to deliver more effective occupation of the Civic Offices outside the Civic Regeneration framework.
12. Furthermore, in the absence of alternative office provision, there is no business case at the moment to support either redevelopment of the Civic Offices nor is there a business case to convert it into residential accommodation. There is already an ongoing programme of day-to-day refurbishment of the building. It is fit for purpose and as recently demonstrated by Farnborough College of Technology's adaption of the first floor, the Civic Offices floor space is readily flexible and adaptable to accommodate alternative uses.
13. Finally, the refreshed viability advice refers to a need to look at parallel workstreams to be progressed including a more detailed examination of the Harlington options. This has some merit in such an approach but not at the current time. Market conditions are not suitable and there is no reasonable prospect of a scheme coming forward for some time. Work therefore on parallel working would be premature and, in any event, would need to be revisited in later years.
14. The recommendation, therefore, is that the project should be paused until such time as the market conditions indicate that this ambitious project is both viable and deliverable.

FINANCIAL AND RESOURCE IMPLICATIONS

15. No direct financial or other resource implications arise from this recommendation. Significant abortive cost would, however, arise should the decision be to continue with the project in the current economic climate.

RISK MANAGEMENT

16. There is no risk associated with this recommendation. Substantial risks would arise however, if the project were to proceed in the current economic climate.

EQUALITIES

17. There are no equalities issues raised by this recommendation.

CLIMATE CHANGE IMPLICATIONS

18. There are no climate change issues raised by this recommendation]

ACTION

19. Subject to Cabinet's decision, the Civic Regeneration project will be paused but kept under review until the economic climate improves. A further report will then be brought back to Cabinet.
20. In the meantime, the Council will complete the lease as previously agreed with FTC on the Harlington.

Contact Details: Daryl Phillips, Chief Executive

Appendix 1: Fleet Civic Quarter Regeneration Draft Viability Update Briefing Paper
February 2023 Update