

Amber Valley Borough Council		Status	Final	Agenda Item No	11(a)
Report To	Full Council		Date	26 January 2022	
Report By	Executive Director (Operations)				
Report Title	Future High Streets Fund - Former Heanor Grammar School				
Portfolio	Policy				

1. Purpose of Report

- 1.1 To seek Full Council's decision on whether to acquire the former Heanor grammar school at the negotiated price as detailed in confidential appendix A.

2. Recommendations

- 2.1 That Full Council determines whether to complete the negotiated acquisition of the former Heanor grammar school as detailed in appendix A.
- 2.2 That should members wish to proceed with the purchase of the former grammar school, that the Executive Director (Operations) be authorised to complete the acquisition at the negotiated price, and on the terms as he deems appropriate, in consultation with the Leader of the Council and Cabinet Member for Regeneration.

3. Reason for Recommendations

- 3.1 At the Full Council meeting of 2 March 2020, Members approved the in-principle acquisition of the former Heanor grammar school subject to a successful bid to the Future High Streets Fund (FHSF).
- 3.2 At the Full Council meeting of 27 January 2021, members authorised the Executive Director (Operations) to seek to negotiate the conditional acquisition of the former Heanor grammar school and that if a negotiated purchase did not prove possible, approved the commencement CPO proceedings. Members required the decision to be referred back to Full Council for final authorisation, should the purchase price exceed the independent valuation. Minute 4624 refers.
- 3.3 Following detailed discussions with the current owners, an agreement in principle to acquire the former grammar school has been negotiated, subject to Full Council approval. Further details are included within confidential appendix A.

4. Consultation

- 4.1 Councillor Kevin Buttery – Leader of the Council, via a briefing December 2021 and e-mail January 2022.
- 4.2 Councillor Tony Harper – Cabinet Member for Regeneration, via a briefing December 2021 and e-mail January 2022.

5. Strategic (making a difference)

- 5.1 A prosperous and healthy Amber Valley

6. Background Information and Options

- 6.1 Following the Council meeting of 27 January 2021, officers have engaged in negotiations with the current owners of the former Heanor grammar school and have reached an in-principle agreement for its acquisition, subject to Full Council approval. Further details are included in confidential appendix A.
- 6.2 Members will recall that the Future High Streets Fund originally envisaged a period of time for bids to be submitted and then following approval, a 4-year delivery programme ending in March 2024. The Council's bid was therefore predicated on this timeframe.
- 6.3 Due to capacity issues created by Covid and other factors, the bidding process lengthened considerably, which resulted in the Council's award of £8,592,837, (against an original bid of £12 million) only being confirmed in June 2021. Unfortunately, whilst the date for confirmation of the funding award slipped considerably, the deadline for spend of the government funding remains March 2024.
- 6.4 The Heanor Future High Streets programme represents a major multifaceted town centre regeneration scheme, which in summary includes; the redevelopment of the market place into a flexible multi use space at the heart of the town centre, the bringing forward of land at Whysall Street for affordable family housing and the restoration and redevelopment of the former grammar school site. The former grammar school being by far the largest and most complex of the individual projects.
- 6.5 Delivery of the grammar school project as originally envisaged, included the demolition of the former science block and the construction of a cinema and two food and beverage outlets. In addition, the listed building was to be restored and repurposed as a shared use facility, including space for businesses, training and community uses. Major milestones for this project would typically include:
- Acquisition, including searches and title review etc.
 - Full condition and design surveys
 - Assessment of the heritage deficit and agreement with Historic England on features requiring restoration
 - Asbestos management plan
 - Agreement to remove the telecoms mast
 - Consultation with the public and stakeholders
 - Securing of tenants for the cinema, food and beverage outlets and historic building
 - Detailed design works, including mechanical and electrical engineering
 - Full planning and demolition consent
 - The drawing up of specifications and tender documentation
 - Tendering and appointment of the principal contractor
 - Contract mobilisation
 - Demolition of the science block and construction of the cinema and food and beverage outlets,

- Restoration and repurposing of the listed building
- Decoration and fit out for tenants
- Laying out of the external car parking areas
- External landscaping

- 6.6 Given the time constraints, it has become clear that delivery of the former grammar school project as originally envisaged cannot be achieved by March 2024.
- 6.7 Members will also be aware that material and labour prices have both seen significant cost increases and shortages in the wake of Covid shutdowns, which could not have been envisaged at the time that the funding bid was submitted. Whilst, the funding includes an overall contingency of £867,025 this may ultimately prove to be insufficient to achieve full project delivery. This may be further exacerbated by the number of Future High Streets and Towns Funds projects being implemented across the country within the same timeframe, which may reduce the number of contractors wishing to submit tenders.
- 6.8 Given these concerns, officers recently engaged with the Department of Levelling Up, Housing & Communities (DLUHC), to seek an extension to the deadline and to discuss the potential for altering the scope of the programme. Whilst civil servants were unable to commit to an extension of the overall programme, they were clear that it is possible to alter the scope of the individual projects through agreement, to reflect changes in circumstances; subject to maintaining the overall projects outcomes e.g. land value uplift, jobs created etc. Should members determine to acquire the site, this may ultimately result in the Council delivering as much of the work as possible within the available timeframe to de-risk the site and secure its future, for example by securing the fabric of the former grammar school. But then seeking a partner/buyer to bring forward a completed redevelopment that supports the regeneration of Heanor town centre. This may have the effect of altering the outcomes for the site compared to those originally envisaged, for example by including an element of residential delivery. A pragmatic approach will therefore need to be adopted, that seeks to balance local ambition for the site, whilst maximising its attractiveness to commercial partners.
- 6.9 In determining whether to move forward with the purchase of the former grammar school, members must take into consideration both the risks associated with the project, which have increased considerably, but also the benefits to Heanor town centre in bringing the former grammar school back into positive use. In a worst-case scenario, the Council could find itself in the position of owning a partially completed site after March 2024, with no obvious partner willing to take forward its completion. In this scenario the Council would inevitably incur ongoing revenue expenses, which are currently unquantified, as well as the potential of having to commit further significant capital expenditure on the building, which is similarly unquantified. Members attention is therefore drawn to the summary risk matrix in 7.4.1.
- 6.10 Officers will explore other funding opportunities such as the Heritage Lottery Fund. However, no certainty can be attached to this.

7. Implications

- 7.1 Legal** – Section 120(1) of the Local Government Act 1972 enables the Council to acquire land (including premises) by agreement for the purposes of any of its functions or for the benefit, improvement or development of its area.

7.2 Resources

- 7.2.1 **Financial – Capital** – Provision has been made in the 2021-22 Capital Programme to reflect the proposed phasing of the works as set out in the Memorandum of Understanding (MOU) between the Council and DLUHC. The acquisition and re-development of the former grammar school is integral to the project and provision was made in the current year's budget for the acquisition of this site.
- 7.2.2 Although there is a contingency provision within the overall programme budget, there is an overall funding ceiling (£8,592,837), within which the overall programme must be delivered. Where any element of the project exceeds its allocated budget, it will be necessary to use some of the contingency sum.
- 7.2.3 This obviously reduces the contingency available to meet other increased costs of delivering the programme and any unforeseen costs that may arise during the delivery phase of the project. This represents a significant financial risk for the Council as there is no certainty over other sources of finance for the project.
- 7.2.4 Other significant financial risks arise from not being able to deliver the project within the tight timescale imposed. Here there is the possibility of being contractually committed to capital expenditure without still having the necessary grant funding in place to finance the spend unless some flexibility is granted to utilise the funding after March 2024.
- 7.2.5 An alternative financial risk is outlined in paragraph 6.9 of the report, where the Council has a partially completed site with no obvious partner to work with on completing the building. A situation which could require the committing of a substantial amount of unquantified capital and revenue expenditure over a period of time to allow the project to be satisfactorily completed.
- 7.2.6 **Revenue** - Clearly, with any capital scheme there will be additional revenue costs which arise from the delivery of the programme of works. Such costs can't be accurately quantified at this stage. However, they are likely to fall directly on the Council's revenue budget and will need to be actively considered as part of the management of the project. Bearing in mind the Council's current budgetary position, options for the mitigation of any future costs should be considered to minimise the potential financial risk to the Council.
- 7.2.7 **Other Financial Implications** – With the award of any future contracts involved in the delivery of the programme of works it is essential that an appropriate procurement process is followed. This should include compliance with the Council's own Financial Regulations and the relevant European Procurement Regulations (or future alternative UK regulations which may apply during the timescale of delivering the project.)
- 7.2.8 The treatment of VAT on such projects can be complex. It is critical in the early stages of any significant project, such as this one to identify and manage the taxation implications, as failure to do so can involve significant unbudgeted or unplanned costs which may even become a barrier to or jeopardise the successful implementation or delivery of the project. Land and property transactions involve high risks due to the complexity of legislation, in both taxation and general terms and also due to the significant monetary values which are usually involved with such transactions.
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- 7.2.9 **Personnel** – None arising
- 7.2.10 **Value for Money** – As contained within the report.

7.2.11 **Climate Change** – Bringing the former grammar school back in to use, will inevitably lead to some CO2 emissions during the refurbishment and its subsequent use. However, a sensitive restoration incorporating low CO2 technologies, coupled with initiatives included within the wider bid to encourage more sustainable travel choices and the grammar school’s central accessible location should mitigate possible negative impacts.

[View Equalities Impact Table](#)

7.3 Equality Impact Assessment

7.3.1 No adverse impacts anticipated.

7.4 Risk Identification and Management

7.4.1 The risk is assessed as: **Very High**

Strategic Risk	Risk Detail	Action	Rating
Strategic	Failing to achieve the strategic priority of Heanor town centre regeneration.	Determine acquisition of former grammar school	V High
Operational	Capacity to deal with large scale projects	Prioritise delivery ahead of lower priorities	V High
Regulatory	Delivery within the deadline and procurement, planning, legislative and heritage requirements	Take fully into account the risk associated with the project	V High
Financial	Potential unquantified long-term revenue and capital implications of owning the site and risk associated with time table	Long term ownership proposals Carefully consider implications of 2024 deadline	V high
Reputation	Building becomes more derelict and dangerous and listed building becomes more vulnerable with LA responsible for its monitoring of condition and enforcement powers Redevelopment of the site remaining incomplete following acquisition	Approve Acquisition	High
		Contingency planning required	V High
Information	Decisions taken without full account of the risk and other constraints	Take all evidence into account	Med
People and Management	Capacity issues	As above	As above
Health and Safety	Building condition in prominent location	Consider acquisition	High

7.5 References

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Documents used in Preparing this Report			
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Index of Appendices	Confidential Appendix A – The potential acquisition of the former Heanor Grammar School (<i>Not for publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 'Information relating to the financial or business affairs of any particular person (including the Authority holding that information')</i>)		
Forward Plan Reference	Ref No:		Contact:
Forward Plan Description			