



**Report to: Audit and Governance Committee, 20<sup>th</sup> March 2019**

**Report of: Deputy Director - Governance and Monitoring Officer**

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**Subject: DECOMMISSIONING OF SANSOME WALK**

**1. Recommendation**

**That the Committee:**

- 1.1 notes the summary of decisions and advice to date given in relation to the decommissioning of the Sansome Walk former swimming pool site; and**
- 1.2 requests that the Council's internal audit service undertakes a Lessons Learned review of this project, to take account of the information set out in this report, as well as the specialist advice currently being commissioned for the Council on demolition options and costs.**

**2. Background**

- 2.1 The Council has put on hold a construction contract to secure the demolition and remediation of the Sansome Walk swimming pool site ("the Site"), pending receipt of further specialist advice on the financial implications and options for remediation and future development uses. The Council requires a reliable assessment of cost for demolition on the basis that it remains the owner of the Site and is currently proceeding on the assumption that it will need to remediate the Site itself in order to attract any future development potential or value.
- 2.2 The Council's Policy and Resources Committee will receive a report on the outcome of this specialist advice and consider any budgetary or other implications or other matters which may need to be referred to Council. While this process is ongoing, it is within the remit of the Audit and Governance Committee to review the Council's governance arrangements and project delivery processes which have guided the position to date.

**3. Governance summary**

- 3.1 A chronology of the Council's decision-making in respect of the decommissioning of the Site is attached at **Appendix 1**. The chronology begins in 2012 with the early decisions to look at the potential refurbishment of the Site or the construction of a new facility elsewhere, with Perdiswell becoming the preferred option. However, the condition of the Site was a matter of concern to the Council prior to 2012, with reference to a Working Party convened in 2009 to review the possible repair liability of the building, and the pool needing to be closed for a short period due to immediate safety concerns

and substantial costs being estimated for refurbishment and repair.

- 3.2 The reports show that the decision to decommission Sansome Walk was viewed as an inevitable consequence of the decision to construct a new facility at Perdiswell, but that the decommissioning implications were not reported as part of the overall swimming pool project or budget. While the failing condition of the Site appeared in the reports to add weight to the Perdiswell preferred option, the detailed options appraisal work and the reports which follow it were principally focused on the development opportunities afforded at the Perdiswell site. However it could be argued that any use, refurbishment or disposal decision of the Site would have encountered the same issues which are arising now; the use of asbestos as a building material in the Site was well understood within the Council and common for buildings of its age.
- 3.3 The Cabinet made a decision to dispose of the Site in December 2016. Delegated authority was given to the S.151 Officer in consultation with the Cabinet Member for Performance and Resources, authority to approve financing for the demolition works, to include site security, ground condition surveys and applications for all relevant planning and environmental consents. The financial extent of the delegation was uncapped but this matter was brought back to subsequent meetings of the Council as the budget position became clearer.

#### 4. **Advice summary**

- 4.1 There is evidence on file that the Council has obtained asbestos surveys as required by law, when the pool was operational. Since the Site was closed the Council, through Place Partnership Limited, has obtained demolition surveys from first, Bradley Environmental (2017), and then SOCOTEC (2018), both specialist asbestos consultancies. The Council undertook a tender for a demolition contractor in 2018 and appointed Hughes & Salvidge. The procurement process was quality assured by Bailey Garner consultancy and supported by Place Partnership Limited.
- 4.2 A summary of key extracts of contemporaneous advice is attached at **Appendix 2**. There is further commercially sensitive information for the Audit and Governance Committee to inspect should they wish to do so.
- 4.3 Separate to the asbestos survey advice, it should be noted that the decision reports assume a capital receipt of the Site of circa £500k. This appears to be derived from internal valuation advice (draft reports from 2016 refer) and assumed a residual value for the Site on the basis that the Site would be transferred to a third party developer which would undertake the remediation work. In December 2016 the report to Cabinet instead recommended that the Council retain the Site for the purpose of completing the demolition work itself. This has led to the requirement for specialist advice and costings, and a suitably competent lead contractor and subcontractors.

#### 5. **Next steps**

- 5.1 As noted in section 2.2, the Council is currently commissioning detailed specialist advice from Gleeds consultancy which will inform next steps on the future of the Site.

5.2 In view of the fact that the Council is expecting to deliver a number of significant capital projects in the next period, the Audit and Governance Committee may wish to consider whether this project identifies any lessons learned which the Council's internal audit service should review and report on. Possible lines of enquiry for internal audit to consider would be:

- identifying the scope of a project to include the implications of decommissioning;
- identifying the project budget position and mechanisms for keeping it under review;
- risk management, use of project risk registers, and the reporting of risks to decision making bodies;
- the process and terms of appointment of specialist advisers and suppliers;
- best practice procurement for construction services generally.

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<b>Background Papers:</b>	<b>None</b>

**Sansome Walk decisions chronology**

**20 June 2012  
Cabinet**

That the Cabinet approve:

1. The preferred swimming pool development model (including the mix of facilities) and the preferred site location.
2. The development of a full business case including detailed viability modelling, procurement options, a user specification, outline planning permission, and funding options, to be funded from the Swimming Pool Reserve.
3. The delegation to the Corporate Director in consultation with the relevant Portfolio Holder, authority to procure and appoint external advisers to develop the business case.
4. The implementation of the consultation project as detailed.
5. The outline project plan (Appendix 2).

**28 November 2012  
Scrutiny**

The Committee received a presentation from Robbie Hazlehurst, Project Manager. The presentation explained the process to date, the consultation results, details of future and on-going consultations and information on the outline planning application.

It was intended that the financial arrangements for the scheme would be considered by Performance and Budget Scrutiny Committee on 29th January, with Cabinet considering feasibility, funding and management options on 12th February. The decision on how to proceed would be taken by the Council on 19th February 2013.

**12 March 2013  
Cabinet**

1. That the Cabinet recommends that Council:-
  - i. Agree the site at Perdiswell for the new Swimming Pool Complex.
  - ii. Agree Option 1 as its preferred option with Option 2 being the minimum specification for the new Swimming Pool Complex.
  - iii. Agree the indicative Business Plan and the significant assumptions contained within it particularly that the model excludes in-house operations.

- iv. Agree that the operation of the new facility will be via an external operator based on a non-business lease with a peppercorn rent which includes the option to tax.
  - v. Agree the Capital allocation for construction and fees of £10.5 million
  - vi. Agree to progress to tender and evaluation stage for the construction and allocate a budget of £300,000 for the tender process.
2. That Cabinet ask officers to investigate and secure further value for the project through sponsorship, partnership, grants and other potential site uses.

**26 March 2013  
Council**

RESOLVED: That the Council:-

1. agree the site at Perdiswell for the new Swimming Pool Complex;
2. agree Option 1 as its preferred option with Option 2 being the minimum specification for the new Swimming Pool Complex;
3. agree the indicative Business Plan and the significant assumptions contained within it particularly that the model excludes in-house operations;
4. agree that the operation of the new facility will be via an external operator based on a non-business lease with a peppercorn rent which includes the option to tax;
5. agree the Capital allocation for construction and fees of £10.5 million; and
6. agree to progress to tender and evaluation stage for the construction and allocate a budget of £300,000 for the tender process.

**11 June 2013  
Cabinet**

That the Cabinet:

1. agree the new swimming pool complex be procured as a 'Develop and Construct' Contract and that prior to seeking tenders the design is taken to RIBA Stage D;
2. agree the Restricted OJEU Procurement route is utilised to procure the contractor; and
3. note the Sansome Walk site will be marketed to coincide with the tendering of the new swimming pool to ensure a more precise value of the capital receipt is known at the time of the contract evaluation.

**15 April 2014  
Cabinet**

That the Cabinet:-

1. authorise officers to progress a detailed cost estimate and prepare a business case for the 'extend and refurbish' option based on a six-lane pool; and
2. note that the original proposal (new build) is not deliverable within the budget provided; that changes to the operation of the business model, alongside government funding cuts fundamentally question the affordability of this level of borrowing.

**29 July 2014  
Cabinet**

That the scope of the investigations into the 'extend and refurbish' option at Perdiswell is broadened, to include an options appraisal of additional and enhanced facilities including increased water space and improved sports hall facilities, for consideration in a report to Cabinet in September.

**15 October 2014  
Cabinet**

That Cabinet note the progress on grant funding, national governing body investment, partner contributions, planning obligations, enabling development and sponsorship and ask officers to continue to work up such elements as might secure additional value for the project.

**13 December 2016  
Cabinet**

1. To approve the demolition of Sansome Walk Swimming Pool and Leisure Centre;
2. To delegate to the S.151 Officer in consultation with the Cabinet Member for Performance and Resources authority to approve financing for the demolition works, to include site security, ground condition surveys and applications for all relevant planning and environmental consents; and
3. To ask officers to prepare an options appraisal for the development of the site, particularly housing, for which the site is allocated in the South Worcestershire Development Plan (SWDP), and to report back their findings to a subsequent meeting of the Cabinet.

**4 January 2017**  
**Scrutiny**

That the Committee make the following comments to Cabinet:

1. The Committee accept recommendations 1.1 and 1.2 of the Cabinet report.
2. The Committee recommend that the reference to housing in recommendation 1.3 be withdrawn. This recommendation should therefore read: "To ask officers to prepare an options appraisal for the development of the site and to report back their findings to a subsequent meeting of the Cabinet."

**17 January 2017**  
**Cabinet**

1. approve the demolition of Sansome Walk Swimming Pool and Leisure Centre;
2. delegate to the S.151 Officer in consultation with the Cabinet Member for Performance and Resources authority to approve financing for the demolition works, to include site security, ground condition surveys and applications for all relevant planning and environmental consents; and
3. ask officers to prepare an options appraisal for the development of the site, particularly housing, for which the site is allocated in the South Worcestershire Development Plan (SWDP), and to report back their findings to a subsequent meeting of the Cabinet.

**24 July 2017**  
**Policy and Resources Committee**

[Exempt resolutions relating to options appraisal for future use of the site]

**7 November 2017**  
**Policy and Resources Committee**

[Exempt resolutions relating to potential disposal to Sanctuary Housing and the YMCA.]

**20 March 2018**

**Policy and Resources Committee**

That the Committee:

1. approve the disposal of the former Sansome Walk Swimming Pool site to Sanctuary Housing and the YMCA, along the lines proposed for residential development and the provision of YMCA services on site;
2. delegate authority to the Corporate Director – Finance and Resources in consultation with the Chair and the Vice-Chairs of the Policy and Resources Committee to finalise the commercial terms and enter into all necessary legal agreements for the disposal of the site; and
3. request that meaningful consultation by Sanctuary Housing and the YMCA with local residents is undertaken prior to a formal application being submitted.

**24 May 2018**

**Planning Committee**

That the Committee grant prior approval consent for the demolition of the swimming pool building at Sansome Walk.

**17 July 2018**

**Council**

That the Council approve the addition of £1.7m to the Capital Programme in respect of the demolition of swimming pool and leisure centre at Sansome Walk.

**Implications of demolition and remediation - extracts of contemporaneous advice**

**Report to Cabinet 12 March 2013**

*"A report was prepared by Property Services in 2009 for a Working Party looking at the future of the pool which indicated that the cost of a refurbishment to extend the useful life of the pool by 20 years was **£6.5 million**. However, that figure did not include funding for improvements needed to achieve the latest Building Regulation approvals or to meet current customer quality expectations and standards. In the light of this and taking account of inflation the cost of refurbishment is now estimated to be in the region of **£7 - £7.5 million**."*

**Draft planning brief for potential site marketing, prepared by WCC officers dated 28 May 2014 (unpublished)**

*"Due to the nature of the existing uses, there are potential contamination issues particularly with asbestos for which a pre-demolition survey would be required to be submitted to the HSE. A desk study and site walkover, followed by potential site investigation is advised. Issues of potential land contamination and remediation should be discussed as part of pre-application discussions."*

**Draft report of Valuation Team Leader to Cabinet dated February 2015/October 2015 (unpublished)**

*"Site constraints and abnormal development costs in this case are likely to have a significant impact on land value and could also affect the developers ability to deliver the required 40% affordable housing. These include the following:*

- *Linear nature of the site and proximity of adjoining housing*
- *Demolition cost of existing swimming pool buildings*
- *Risk of chemical contamination*
- *Abnormal foundation costs in relation to the former pool areas....*

*...Disposal*

- *Site is allocated for housing in SWDP*
- *Impact of abnormal costs on land value*
- *Current valuation = £650,000*
- *Value may be maximised by sale for residential care home*
- *Release of a capital receipt will help to reduce borrowing costs for new pool and impact on revenue budgets.*
- *No capital expenditure required"*

## **Report to Cabinet December 2016**

*"Further work is required by officers to obtain the relevant environmental and planning consents to demolish the buildings on the site. There will need to be ground investigation works carried out to determine the extent of any land contamination. Asbestos investigations and removal works may be required as part of the demolition process...."*

*As noted above, the site presents a significant health and safety risk and therefore it is not considered viable to simply erect a hoarding around the site and allow the building to remain in situ until such time that the site is developed.*

*5.2 A straight disposal of the site at this stage was rejected as the Council will wish to maximise the amenity value of the site including the level of affordable housing.*

*The financing of the demolition and short term security and management of the site will be made through the use of reserves or through prudential short-term borrowing. Initial appraisal work indicates that any sum spent on demolition and security is likely to be recovered from a capital receipt for the sale of the site and/or from a future revenue income stream. There is an assumption in the City's financial plan that £500k from this site would be generated for future capital programmes."*

## **Bradley Environmental Demolition Survey 17 August 2017**

*"Please note that, although a thorough and methodical survey strategy was adopted, it is possible that further ACMs may be present, and are unreported in this survey. HSG264 Asbestos: the survey guide states that "It is now recognised that even with 'complete' access demolition surveys, all ACMs may not be identified and this only becomes apparent during demolition itself...."*

*...The purpose of the survey was to locate, as far as reasonably practicable, the presence and extent of all suspect ACMs prior to demolition. This survey was conducted for the specific project(s) stated above. Additional or alternative tasks over and above that mentioned will require a supplementary investigation to identify further ACMs that could potentially be disturbed by the task(s) at hand.*

*... Please note that the extents cited within this report are an approximation only and should not be used for the purposes of quoting asbestos removal works."*

## **Report to Policy and Resources Committee 20 March 2018**

*"The Council has been offered grant of £750,000 from the OPE land release fund. This grant will be used as a contribution to the demolition costs on the site.*

*The detail of the financial offer from Sanctuary Housing and the YMCA is confidential.*

*The offer and the valuation advice that the Council has received are set out in the confidential appendix to this report.*

*The current void costs for the site for security and day-to-day maintenance are circa £100,000 per annum."*

### **SOCOTEC Demolition Survey 30 October 2018**

*"The purpose of this survey was to determine two aspects: 1) to validate existing data with extents, which was previously gather by a third party surveying company, 2) ensure that all elements were surveyed and any gaps in data filled in.*

*This survey report covers additional areas to those identified in Bradley Environment survey report ref J066875 V2 issued on 14/08/2017. No attempt was made to take additional samples from areas already identified previously.*

*All areas were accessed as far as reasonably practicable given that the building is still intact, and although more ACM's were found and intrusive inspection carried out, full access beneath all elements is impossible without demolishing the building."*

### **Gleeds proposal dated 12 February 2019**

*"Council requires specialist advice in the following areas:-*

- *Critique of work to date*
- *Review of asbestos surveys and specifications*
- *Review of HazMat survey*
- *Cost/benefit analysis of leaving below ground structures in place in relation to land use options*
- *Recommendations for remediation of site according to each end use option (see below)*
- *Commentary on demolition and asbestos removal pricing/provision of new estimates*
- *Option Appraisal and feasibility of possible end uses to include financial assessment capturing capital receipt and revenue earning analysis along site costs assessments and delivery analysis.."*