PFI 4 ‘Gateways to Oldham’
Demolition of Primrose Bank Phase 2

Report to Executive Director, Economy Places and Skills and
Cabinet Member for Regeneration and the Environment

Portfolio Responsibility:
Regeneration and the Environment – Councillor J McCann

Officer Contact: Lynn Phillips
Ext. 1139

Purpose of Report

The purpose of this report is to seek delegated approval to authorise the councils appointed preferred PFI 4 bidder (Inspiral) to commence the demolition of void properties within the Primrose Bank Phase 2 redevelopment area with immediate effect, whether the main PFI 4 contract has been signed or not.

Recommendation

It is recommended that all void properties within the Primrose Bank phase 2 redevelopment area are demolished with immediate effect.
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Regeneration and the Environment

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1 Purpose of Report

1.1 The purpose of this report is to seek delegated approval to authorise the Council’s appointed preferred PFI 4 bidder (Inspiral) to commence the demolition of void properties within the Primrose Bank Phase 2 redevelopment area, prior to the signing of the PFI 4 contract.

2 Recommendation

2.1 It is recommended that all void properties within the Primrose Bank phase 2 redevelopment area are demolished with immediate effect.

3 Background

3.1 Cabinet approved the appointment of Inspiral in November 2009 as the council’s preferred bidder to re-develop Primrose Bank estate and four other sites within the borough. New homes for affordable rent and new homes for sale will be constructed as part of the 25-year PFI 4 ‘Gateways to Oldham’ contract.

3.2 Dwelling blocks south of Chamber Rd (phase 1) were demolished by the council during 2009 in order to provide a cleared site for construction to commence after financial close and contract sign.

3.3 Dwelling blocks (comprising 108 properties) north of Chamber Rd (phase 2) are void and await demolition. A plan of the area is shown as Appendix 2.

3.4 It is anticipated the council will be in a position to achieve financial close and to sign the main contract with Inspiral at the end of June 2010. However, this is dependent upon Inspiral securing formal funding approvals and final sign-off by HM Treasury and therefore could be delayed beyond the end of June.
4 Current Position

4.1 It was originally intended for Inspiral’s Construction Subcontractor (Rok, the constructor partner within the Inspiral SPV) to demolish these and further demolition voids after the main PFI 4 contract was signed. However these blocks are magnets for anti-social behaviour and are currently causing great concern for the police, fire service and FCHO security. Dwellings are secured with steel doors which, for Primrose Bank, are currently costing the PFI 4 budget (and ultimately the project’s Preferred Bidder) over £4k per month to rent. The blocks also look unsightly from the main Ashton Road route into Oldham.

4.2 By instructing Inspiral to commence demolition of Phase 2 blocks with immediate effect (prior to the main PFI 4 contract sign) it would relieve the burden on the police, the fire service and FCHO security.

4.3 The void blocks within the Phase 2 area recommended for demolition within this report are thus:

- Tweed Close (all properties)
- Myrtle Close (all properties)
- Evesham Walk (all properties)
- Romford Close (all properties)
- Buxton Place (all properties)
- 1-7 Ashbourne Square

4.4 Service disconnections (gas, electricity and water) have already been completed on all the majority of above properties.

4.5 The estimated costs (provided by Inspiral’s Construction Subcontractor) to demolish the aforementioned properties is £248,400.68 as detailed in Appendix 1. The estimated costs above compare favourably with the final costs for the demolition of the Primrose Bank Phase 1 area (£294,357 plus outstanding fees of approx £20k for 101 properties), for which Unity Partnership tendered the contract to the contractor quoting the lowest price. If the contract is signed before the end of the year then no payment would become due and the costs would be subsumed into the PFI contract. However, in the unlikely event that Financial Close is delayed beyond December 2010 then £248,400.68 would become payable to Inspiral’s Construction Subcontractor (provided the works have been completed satisfactorily).

5 Options / Alternatives

5.1 Option 1: To leave the Phase 2 blocks standing, awaiting demolition by Inspiral’s Construction Subcontractor post contract sign. This would sustain the
on-going burden on the police, the fire service, FCHO security and the HRA. In
addition the authority would continue to incur security costs.

5.2 Option 2: not demolish. Should the council and Inspiral not achieve contract
sign and the PFI4 programme of regeneration not go ahead, the Phase 2
dwellings could not be re-let. They are unsustainable in the long term and in
very poor condition: damp being a major problem. To bring the dwellings back
up to (and maintain) a lettable standard would be financially un-viable.

5.3 To authorise demolition to commence with immediate effect. This will make
the estate safer and also reduce security costs in the short-term.

6 Preferred Option

6.1 To authorise demolition with immediate effect.

7 Consultation

7.1 The PFI4 proposals have been the subject of wide ranging consultation as
described in previous reports to Cabinet in March and November 2007.

7.2 Residents of Primrose Bank have received information from members of the
Gateways team and the Preferred Bidder in the form of newsletters, telephone
calls, home visits, consultation events, public meetings, weekly estate
surgeries and visits to other regenerated neighbourhoods.

8 Financial Implications

8.1 Capital Implications

8.1.1 The proposals to instruct the preferred PFI bidder to commence demolition
would result in the Council becoming liable for the £248,400.68 cost if the
contract with the PFI bidder is not financial closed and signed before the end of
December 2010.

8.1.2 Although it is anticipated that the Council will be in a position to financial close
and sign the contract by the end of June, this is dependant on the PFI bidder
securing formal funding approvals and final sign off by HM Treasury. It is not
know at this stage if current Central Government review of public sector
finances will impact on this.

8.1.3 If there is a delay beyond the end of December 2010 then a view will need to
be taken, based on the most up to date information at the time, as to the
likelihood of the contract being signed. In the event that the contract is likely to
be signed and the costs eventually be funded by the preferred bidder then the
payment can be funded with a debtor provision. This would impact on the
Council’s cash flow position but would not have an impact on the Council’s
overall resource position. However, if the view was that the contract is not likely
to be signed then the costs would need to be funded by the Council and capital
resources would need to be identified. In the event that the contract was
subsequently signed and then the costs would be reimbursed by the PFI bidder and the Council’s capital resources would increase in that financial year.

8.1.4 If a decision is made that the contract is not to be signed then the £248,400.68 costs will be a charge to the Council’s capital programme when they become due and additional capital resources will need to be identified to fund the expenditure.

8.1.5 In the event a decision not to sign the contract and the Council funding the costs then the cleared development site will be available for disposal which should generate a capital receipt. However, in addition to this cost of demolition the capital receipts from the disposal of any PFI4 sites would also need to recover the capital costs already incurred by the Council in respect of the PFI4 scheme.

8.1.6 If the properties were not demolished, the contract was not signed and the Council were disposing of the land then the demolition costs would either need to be funded by the Council in order to dispose of a cleared site or any potential purchasers would have to take account of the demolition costs in their financial offers which would result in lower capital receipt being received. In addition to this the Council would also incur security costs, as detailed in paragraph 4.1, until the properties were demolished.

8.1.7 It should be noted that the costs currently incurred by the Council in respect of the overall PFI4 scheme are currently funded by a debtor provision based on the contract being signed and the costs being funded by the preferred bidder. If a decision is made that the contract is not to be signed then the debtor provisions will need to be removed and the Council will need to find additional resources to fund the expenditure in the financial year the decision is made.

8.1.8 In light of the uncertainty of the contract being signed it is suggested that if the early demolition is approved Council capital resources are identified and earmarked to fund the expenditure. (Phillip Crossley)

8.2 Revenue Implications

8.2.1 It is anticipated that the early demolition of the properties would eliminate or significantly reduce the security costs currently being incurred. As these are currently funded by a debtor provision on the basis that the costs will be funded by the preferred PFI4 bidder, this would not impact on the Council’s resource position unless a decision was made not to sign the contract. (Phillip Crossley)

9 Legal Services’ Comments

9.1 The purpose of the report is to seek to waive the Contract Procedure Rules under delegated powers. A decision to waive the CPR is delegated to Council, Cabinet or the Chief Executive or an Executive Director in consultation with the Chief Executive where there is a certifiable need that the goods, materials,
works or services is so urgent that other procedures cannot practicably be followed. The report demonstrates the urgency in which the properties need to be demolished to avoid causing further problems with the police, the fire service, FCHO security and the HRA and therefore it is reasonable for the Executive Director Economy Place and Skills in consultation with the Chief Executive to exercise such a delegation. (Daniel Howard)

10 Corporate Human Resources Comments
10.1 Not applicable.

12 IT Implications
12.1 Not applicable.

13 Property Implications
13.1 As stated in the report, the demolition of the properties would be proceeding regardless of whether or not the project agreement is completed with Inspiral. In a worst case scenario, should the agreement not proceed, the Council would look to dispose of the cleared sites for redevelopment on the open market, in order to recoup the costs of demolition etc that would have been incurred to that date. On this basis I have no objections to the proposed demolition taking place at this time. (Bryn Cooke – 08/06/10).

14 Environmental and Health & Safety Implications
14.1 Health and Safety:

Environment:
All demolition work to comply with relevant Health and Safety legislation. Also, as Oldham Council is moving toward achieving the ISO 14001 environmental management standard, it is preferred that Reddish works within the ethos of this standard and ultimately works toward achieving the same (if not already achieved) (Rezwan Khan)

15 Community Cohesion Implications (Including Crime & Disorder Implications In Accordance With Section 17 of the Act) and Equalities Implications
15.1 The PFI 4 ‘Gateways to Oldham’ Project will transform this deprived urban estate creating an attractive, sustainable community that meets and surpasses the Council’s core urban design criteria.
16  Procurement Implications

16.1 There are no issues with this report as a full procurement process has been carried out in line with Oldham Council’s CPR’s and the preferred bidder identified by means of evaluation. (Ernest Raw)

17  Forward Plan Reference

17.1 This is not a key decision.

18  Key Decision

18.1 No.

19  Background Papers

19.1 Report to Cabinet 31.3.2010: To Conclude the Contractual Arrangements for the Gateways to Oldham Housing PFI Project (the “Project”)

19.2 Report to Cabinet 26.8.2008: Selection of Preferred Bidder for the Gateways to Oldham Housing PFI Project (the “Project”)

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Report Tracking

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### Cost Breakdown:

**Early Demo Costs - Based upon**

**Reddishvale /Reddish Demolition**

**Primrose Bank**

**Phase 2 Works**

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<th>Unit</th>
<th>Quantity</th>
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<tr>
<td>Asbestos Survey Costs (30% Survey)</td>
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<td>1,511.69</td>
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<td>(Buxton Place, Romford Close)</td>
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<td>Allow ROK Oasis type unit</td>
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<td>Allow O H &amp; P</td>
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<td><strong>£</strong></td>
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Appendix 2: The Primrose Bank Area