

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Executive

Council: 28 May 2008

Subject: Clydebank Leisure Centre Development - Sale of Play Drome Site

1. Purpose

- 1.1** This report addresses issues raised by Members following a report by the Chief Executive concerning the above to the Council meeting held on 30 April 2008 and seeks Members' approval to recommendations concerning the way forward.

2. Background

- 2.1** Members will be aware of the content of a report to the Community Safety and Environmental Services Committee held on 13 June 2007. This report, which was continued for further consideration by the subsequent full Council meeting, summarised background in respect of proposed developments at Clydebank. In particular, the report noted that:

- (a) on 2 February 2005, the Committee had instructed that the site of a proposed supermarket at Clydebank Shopping Centre be offered for disposal on the open market. The Committee noted that this site was the current site of the Play Drome and that the Play Drome should not close until such times as an alternative leisure facility was available;
- (b) on 2 November 2005, the Community Safety and Environmental Services Committee considered a further report indicating that an agreement had been arrived at with Clydeside Regeneration Limited concerning transfer to West Dunbartonshire Council of an area of land extending to 4.25 acres or thereby at Queens' Quay subject to a number of conditions including a requirement to have superstructure works commenced by September 2008, though this date could have been extended for one year for the purposes of awarding the building contract;
- (c) advice had been received that it would be necessary to seek a variation of lease concerning certain matters at the Play Drome site and since that had not been obtained there was a need to seek extensions to time limits in the legal agreement referred to in paragraph (b) above;
- (d) the Council instructed that all expenditure on this project should cease and that the Manager of Audit should be instructed to investigate the circumstances surrounding this project;

- (e) at its meeting held on 30 April 2008, the Council received a report from the Chief Executive concerning the report which had been prepared by the Manager of Audit. At this meeting the Council agreed as follows:

Council agrees that there is a need to separate out two issues:

firstly, the Council agrees to approve paragraph 8.1 of the report (see above) and that the report should include additional information addressing the issues and questions raised by Members at this meeting; and

secondly, the Chief Executive should refer the Internal Audit report to Audit Scotland for further investigation to clarify Elected Member involvement, the decision making process and to ensure that there were no irregularities.

- 2.2** Arising from the above, the Internal Audit report has been referred to Audit Scotland for further investigation.

- 2.3** Paragraph 8.1 as referred to above stated the following:

given that negotiations are ongoing with all interested parties, it is recommended that the Chief Executive prepare a report on the current position for the May Council meeting in order that Members make an informed decision about whether or not to proceed with the entire project.

- 2.4** At this stage it may be considered worthwhile restating the reasons underlying the proposed sale of the Play Drome site for supermarket development and for the development of a new leisure facility at Queens Quay. At the early stages of the proposed development of the Clydebank Waterfront, interest was expressed in the development of a supermarket and other retailing at this location. The CIS, the Council's partners in the Clydebank Shopping Centre, expressed great concern at this believing that the development of a new supermarket and modern shopping facilities on an attractive waterfront location would significantly damage the viability of Clydebank Shopping Centre. This would be contrary to existing planning policy which promoted the provision of additional shopping within town centre locations and would of course also have damaged the Council's financial interest in the shopping centre. The CIS submitted a planning application for supermarket development at the Play Drome location and this was granted by the Council in 2004. Having conceded in planning terms the principle of a second supermarket in Clydebank then failure to deliver an appropriate location within the Town Centre inevitably would have resulted in significantly increased pressure for supermarket development at an alternative site, possibly on the waterfront. For this reason, in discussion with the Council's partners the CIS, there was great urgency both in planning and financial terms in seeking a means of implementing the supermarket proposal for which the CIS had gained planning consent.

- 2.5** This required proposals for the relocation of the Play Drome to be brought forward simultaneously with the proposed sale of the site though the Council required the new leisure facility to be finished and open before the Play Drome could be closed and demolished.
- 2.6** Discussions with all stakeholders indicate general support remains for the strategy of focusing any retail development within the boundaries of the existing town centre area and recognises that any competing retail development within the Clydebank area would have been significantly damaging in planning terms and to both the CIS and the Council in financial terms.
- 2.7** Clydeside Regeneration, the owners of the Queens' Quay site are agreeable to extend the target date for the completion of the new leisure facility to 2012. There is provision to extend this date by a year for the purposes of awarding a building contract. There is a suspensive condition in the draft missive that this would be dependent upon on receiving acceptable planning permission for their proposed development at Queens' Quay. This site is to be developed only for leisure/heritage purposes. Failure to complete the leisure centre development by these timescales would result in this site returning to Clydeside Regeneration.
- 2.8** It should be noted that the disposal of the Play Drome site is required to fund the proposed leisure development. Notwithstanding this, it should be noted that the cost of the leisure centre at the time at which work on this project was stopped by the Council was put in the region of £15M. Obviously, the cost of the Play Drome site is likely to have increased significantly with inflation over the last two years. No new assessment has been carried out but certainly a cost of £18M or above could not be ruled out. Agents assessing the value of the Play Drome site in the past have put forward values in the region of £814M and it must be accepted that there could be a significant gap in funding available to implement this project as it stands. On the other hand, Scottish Government funds are available for the public realm and Queens' Quay, particularly for repairs to the flotation basin and the walkways. Also, funds are presently allocated by Clydebank Rebuilt from the Council's existing contribution to its budget for access and leisure centre projects. All in all, around £2M is available from these sources for this project.

2.9 With respect to the Clydebank Shopping Centre, over recent times, there has been a change of approach by CIS, the Council's tenant's and partners. AXA have been appointed by CIS to manage their portfolio. AXA have clearly indicated their wish to dispose of the CIS interest in the Clydebank Shopping Centre. They consider that the CIS is over represented in this sector and is not in a position to bring the investment resources forward that are required to ensure that Clydebank Shopping Centre remains competitive within the shopping hierarchy. In particular, a need to invest significantly in the southern portion of the shopping centre has been identified. Discussion with AXA has focused upon how they might best market the CIS interest in the shopping centre and inevitably the future of the Play Drome site including the possibility of any retail development at this location has been discussed. To date, no firm decision has been arrived at by AXA as to how they wish to proceed in respect of the disposal of the CIS interest and discussions are continuing with them. While there is uncertainty concerning this matter at this stage, it does impact upon the range of options available to the Council in respect of the Play Drome site.

3. Main Issues

3.1 The main issue is to determine how to proceed in respect of the central issue concerning the proposed relocation of the Clydebank leisure facility and the marketing of the Play Drome site. Options in respect of the Play Drome site and the proposed leisure development at Queens' Quay may be considered to be as follows.

Option 1

3.2 Market the Play Drome for supermarket development as originally intended.

3.3 Subsequent to determining that a variation of lease would be required in negotiation with the CIS in order to facilitate the marketing of the Play Drome site for reasons connected to access, clarification was sought from senior Counsel concerning the extent and nature of the access rights which cross the Play Drome site. Senior Counsel has advised that marketing of the Play Drome can proceed, but the site must be marketed with an express requirement to maintain vehicular access to the southern part of the shopping centre via Abbotsford Road unless and until some suitably appropriate alternative access is agreed by various parties.

Option 2

3.4 Delay marketing of the Play Drome site pending further negotiation with AXA/CIS concerning the disposal of the CIS interest in the shopping centre and the potential identification of a new investor.

- 3.5** Notwithstanding the current economic conditions, AXA remain adamant that they propose to market the CIS interest in the shopping centre. The Council would be required to assign the lease of the shopping centre to the new purchaser subject to normal Legal and Estates requirements which if they are met mean that the Council cannot withhold the granting of the assignation. Adopting this option would allow AXA time to clarify its position as to whether a new investor can be identified. Furthermore, in the event that a new investor is attracted to Clydebank, the opportunity would exist for that interest to work up any plans they may have to regenerate the shopping centre including the southern portion. Any investor may wish to consider whether they would wish to purchase further land in the vicinity and the availability of the Play Drome site would be made known.

Option 3

- 3.6** The Council could abandon this project.
- 3.7** This would involve advising Clydeside Regeneration that the Council does not wish to pursue the option of acquiring the 4 acre site at Queens' Quay Obviously this would result in the investment in the leisure centre design which has taken place being written off.

Option Appraisal

- 3.8** In Planning and Regeneration terms, the objective of focusing any additional retail development, including any supermarket development, within the existing Clydebank Town Centre area remains valid. A threat of development of a major superstore either on the Clydebank waterfront or at some other location as yet undetermined remains. Should this competing development take place, it remains the case that this would undermine planning and regeneration strategies and undermine the viability of Clydebank Shopping Centre. This would have the further impact of devaluing the CIS and the Council's investment in the shopping centre. It remains highly desirable that whatever option is chosen the outcome should be that the focus of investment in retailing is within the existing Clydebank Shopping Centre. Arising from the above, significant risk remains in choosing Option 3, to abandon the project.
- 3.9** Notwithstanding the above, it must be accepted that some issues have developed resulting in a change the context in which options must now be appraised.

- 3.10** Firstly, there is a decision by AXA to market the CIS interest in the Clydebank Shopping Centre to a potential investor. While the current economic conditions have delayed this matter, it has been confirmed that it remains AXA's intention to dispose of this interest. Hopefully, this disposal will result in a new tenant for the Council with ambitions and resources to regenerate the town centre further, particularly the southern portion. This raises the very real possibility that any additional or mixed use development on the Play Drome site could be properly integrated within a redeveloped southern portion of the shopping centre. This has the potential to be a very exciting development and a major contributor towards the regeneration of Clydebank. Unfortunately, it cannot be stated with any certainty whether a new investor will be attracted to Clydebank, what that investor's plans would be, whether these plans would certainly involve the redevelopment of the Play Drome and how much the investor would be willing to pay to purchase the Council's interest in the Play Drome given other considerations in terms of land acquisition.
- 3.11** It must also be accepted that a new investor could seek to achieve planning, regeneration and investment objectives by redeveloping the southern portion of the shopping centre only with the result that the Play Drome would remain at its present location.
- 3.12** Notwithstanding these uncertainties, Option 2 does allow time to assess the position and would allow for the maximum benefits in terms of planning and regeneration to be investigated while protecting the value of the Council's investment in the Clydebank Shopping Centre. Pursuing Option 2 would allow this strategy to be considered further.
- 3.13** With respect to Option 1, selling the Play Drome site immediately, any supermarket operator or purchaser of the Play Drome site would require to engage in negotiations with AXA concerning AXA's rights at a time when AXA's attention is focused on the disposal of the CIS interest, and it is considered that this might hinder the smooth progress of this option. Negotiation with other interested parties including the Church, Credit Union and the Clydebank Cooperative Society would also be required but any negotiations to be carried out by the supermarket operator could cut across any plans that a new investor would have confusing the position for these parties. Nevertheless, subject to the legal constraints set out above, this remains an option which could be considered.
- 3.14** Secondly, the issue of financial viability requires to be reconsidered. With the passage of time, costs in respect of the replacement leisure facility have risen though these have not been assessed in detail. Opportunities exist to redesign the leisure facility to reduce costs but this may not be considered desirable. Nevertheless, it remains the case that the financial viability of this project was based on disposing of the Play Drome site for an extra sized supermarket development on a free-standing location generating the maximum financial return (Option 1).

- 3.15** At this stage, no further financial appraisal work has been carried out to assess the value which could be obtained from this type of development, should the necessary lease variation be obtained from the CIS, or has any further appraisal of the costs of the proposed leisure development been carried out. There is a case for carrying out some work of this nature to further assess the viability of Option 1 but it may be considered premature to pursue this at this stage pending further discussions with AXA/CIS.
- 3.16** In the event that Option 2 is pursued, it is considered that there may well be limits on the funds available to a potential developer to purchase the Play Drome, if indeed that is desired on the investor's part, and there would be considerable uncertainties as to whether the project would be viable in its current form. Nevertheless, in pursuing Option 2, there would be no need to invest further funds in this project unless further consideration is required to be given to the design of the proposed leisure facility to establish whether the cost of this centre could be reduced.

4. Personnel Issues

- 4.1** There are no Personnel Issues.

5. Financial Implications

- 5.1** In the short term, adoption of Option 3 would result in the investment in the design of the replacement leisure facility at Queens' Quay being written off. This has been funded by the Council from funds which were budgeted for Clydebank Rebuilt and the expenditure has taken place through Clydebank Rebuilt acting as project manager. Pursuing Option 1 may require the identification of additional professional resources but this would be done from funds already within the budget of Clydebank Rebuilt. Pursuing Option 2 would not have any short term financial implications.
- 5.2** In the event that either Option 1 or 2 is pursued, then a sale of the Play Drome site could eventually be mooted. At that stage, it would be necessary to ensure that sufficient funds existed to enable the development of a replacement leisure facility. As previously indicated, initial appraisals on the centre which has been designed indicated that this project would cost around £15M. Construction inflation has been very significant since these figures were arrived at. No new assessment has been carried out but certainly the cost of £18M or above could not be ruled out. It may be possible to revise the leisure centre proposal to reduce the cost of the project. However, at this stage, it is considered unlikely that sufficient funds would be available from the sale of the Play Drome site alone to ensure the development of the replacement leisure facility.

6. Risk Analysis

- 6.1** There are clearly significant risks arising from this project.
- 6.2** Firstly, there is the risk that abandoning this project would result in competing retail facilities being developed elsewhere in the Clydebank catchment to the significant detriment of planning strategies. Moreover, it can be reasonably said that, given the assessed value of the Council's investment stake in the Clydebank Shopping Centre any loss to the Council would be likely to significantly outweigh the investment the Council has made in designing the proposed replacement leisure centre.
- 6.3** With respect to Options 1 and 2, it must be stated that there remains a risk that the agreement in respect of the transfer of the 4.25 acre site from Clydeside Regeneration to the Council will not be concluded. However, outline planning permission has been granted for the development at Queens' Quay and it is the aspiration of all stakeholders that the proper development of this site take place. There is no indication from Clydeside Regeneration that they intend to obstruct the transfer of the 4.25 acre site.
- 6.4** The revised draft agreement with Clydeside Regeneration extends the deadline for completion of the Council's leisure development to 2012 with an extension in certain circumstances to 2013. There is a risk that this development while proposed, will not be completed within this timescale. The need to meet difficult timescales was a key driver in the decision on the part of the Council to prepare the leisure centre designs and, given that these are now available in advance form, then it should be possible to proceed quickly with the development of this facility once funds are available.
- 6.5** There is a risk that the Council will not be able to identify a purchaser for the Play Drome site or that the funds which would be available from this transaction are inadequate to meet the costs of delivering the new leisure development. There is a risk that the Council would not in these circumstances be able to identify further funds to allow this project to proceed. In these circumstances, there is a risk that the funds which have been invested in designing the replacement leisure centre will require to be written off. Clearly this would not be a desirable position. Nevertheless, even in these circumstances, should the Council's strategy be successful in forestalling any competing retail interest on the Clydebank Waterfront or at some other location in the Clydebank catchment, then the financial benefit arising to the Council from the protection of the value of its major asset at Clydebank Shopping Centre is likely to very significantly outweigh the funds invested.
- 6.6** There is a risk of reputational damage to the Council arising from possibly being obliged to withdraw from a project where funds have already been invested.

7. Conclusions

- 7.1** The purpose of relocating the Clydebank Leisure Facility to the waterfront was to secure investment in Clydebank Shopping Centre, particularly a second supermarket in line with the planning consent granted in order to maintain and promote its viability. While there have been difficulties encountered in respect of implementation of this project, this remains a highly desirable outcome. The decision by AXA on behalf of the CIS to place their interest in the Clydebank Shopping Centre on the market has inhibited discussion with them concerning a variation to their lease regarding access rights. On the other hand, sale of their interest by the CIS could attract a new investor to Clydebank willing to take on the challenge of regenerating the shopping centre as a whole, particularly the southern portion. This opens up the opportunity of integrating the redevelopment of the Play Drome site with the redevelopment and regeneration of the southern portion of the shopping centre. Success in pursuing this option would make a major contribution to the regeneration of Clydebank Rebuilt, particularly when seen in the context of the proposed development of Queens' Quay. There are some risks in pursuing this option but these have been assessed and it is considered that the potential benefits of pursuing this option are significant and that every attempt should be made to secure them. For this reason, Option 2, as set out in paragraph 3.4 above is recommended.
- 7.2** The financial viability of this project remains a significant issues. No guarantee can presently be given that the sums invested will not require to be written off because of the lack of funds to complete this key aspect of the project. This would of course result in the Play Drome remaining at its present location with planning and regeneration strategies requiring to be revised. However, the potential benefits in regeneration terms are also very great and in the event that the viability of Clydebank Shopping Centre is maintained by this strategy then there are major financial compensations.
- 7.3** Option 2 allows further consideration to be given to what might be considered to be the ideal position in planning and regeneration terms without commitment of further funding by the Council and it is the recommended option.

8. Recommendations

- 8.1** That the Council agrees to enter into a revised agreement with Clydeside Regeneration under the terms set out in paragraph 2.6 above concerning the transfer of a site of 4.25 acres or thereby from Clydeside Regeneration to the Council for the purposes of leisure/heritage development.
- 8.2** That the Council agrees to pursue Option 2 above and delay marketing of the Play Drome site pending further negotiation with AXA/CIS concerning the disposal of the CIS interest in the shopping centre and the potential identification of a new investor.

8.3 That a further report be submitted to a future meeting concerning progress of discussions with AXA/CIS as described under Option 2.

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David McMillan
Chief Executive
Date: 9 May 2008

Person to Contact: David McMillan, Chief Executive

Appendices: None

Background Papers: Report by Chief Executive to the Council meeting of 30 April 2008, concerning the Clydebank Leisure Centre Development and sale of the Play Drome site.

Wards Affected: Ward 6

