

Report

Report to:	Community and Enterprise Resources Committee
Date of Meeting:	26 November 2024
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Centre West and East Kilbride Masterplan Update
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update Committee on progress to date for the transfer of Centre West, East Kilbride, to South Lanarkshire Council
- ◆ update Committee on progress made on the implementation of elements of the East Kilbride Masterplan

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the content of the report be noted.

3. Background

3.1. As previously reported, East Kilbride has faced a number of challenges over recent years resulting in significant voids throughout the shopping centre. The challenges of the retail environment resulted in the current tenant of the centre, Sapphire 15 s.a.r.l., being put into administration on 16 November 2022. Administrator, Interpath, appointed a team of specialists to consider the future of the town centre. This was led by Scoop Asset Management and included 360 Architecture and Savills property agents who worked closely with officers to undertake a masterplanning exercise for the town centre. As key stakeholders in the town centre, officers and asset managers have worked closely to bring together the commercial realities and potential of the centre into a town centre vision. The resultant East Kilbride Masterplan was approved by this Committee on 13 September 2023.

3.2. A key element to both the administration process and masterplan is that control of Centre West reverts back to the Council on the basis that the land remains in the Council's ownership with Centre West developed under a ground lease. This is not the preferred route to redevelopment however discussions have exhausted other options and therefore a negotiated and managed transition to mitigate risk to the Council insofar as is possible has been the key priority.

- 3.3. The Community and Enterprise Committee of 23 April 2024 gave endorsement to enter Heads of Terms with Interpath for the transfer of Centre West Shopping Centre. This decision was ratified at the Executive Committee of 8 May 2024. Following Executive Committee approval, officers commenced Heads of Terms (HoT) negotiations with administrators, Interpath and their advisors, for the transfer of Centre West to the Council.
- 3.4. The Committee of April 2024 also gave approval to appoint a professional team to advise the Council during the negotiations and prepare for demolition and redevelopment of Centre West. This team has been put in place to support the transition of the property including Burness Paull (legal) and Knight Frank (Real Estate Advice/ Asset Management). Turner and Townsend have also been appointed as project managers with a range of technical sub-consultants.
- 3.5. In addition, to work to ensure the smooth handover of Centre West to the Council, officers have also been working towards delivery of the East Kilbride Masterplan. The Community and Enterprise Committee of 23 April 2024 endorsed the amendment of City Deal funding to realign £32.2 million towards town centre activity in East Kilbride. This approach was endorsed by the City Region Cabinet in August 2024 and an updated outline business case will be submitted to the February 2025 City Deal Cabinet following Executive Committee approval in December. This realigned funding will allow demolition work to take place on Centre West and progress with the Civic Hub element of the East Kilbride Masterplan.

4. Centre West transfer

- 4.1. Heads of Terms negotiations have now concluded and were signed by the Council at the end of September and endorsed by Executive Committee on 13 November 2024. It is considered that these are the best terms which can be achieved to secure a managed transition of the Centre back to the Council, and in turn support the regeneration of East Kilbride Town Centre. Constructive agreement of the HoT provides the Council with some certainty and the ability to plan ahead in a managed way. The details of the HoT are subject to a confidentiality clause.
- 4.2. Legal advisors, Burness Paull, have been instructed to prepare a contract based on the signed Heads of Terms.
- 4.3. The remainder of the shopping centre is currently being marketed with a closing date anticipated prior to Christmas. The agreement between the Council and Interpath for the transfer of Centre West gives comfort to potential buyers and gives the best prospect of a controlled sale. It is likely that the Council will work closely with the purchaser of the remainder of the town centre to achieve a positive outcome and delivery of the East Kilbride Town Centre Masterplan. There will be a need for a positive relationship with the new owner, including to deal with the practicalities of the physical separation of the two centres and the demolition of Centre West by the Council.
- 4.4. Centre West transfers to the Council on 30 December 2025. Work has now commenced with project management team, Turner Townsend, on the strategy for the decommissioning of Centre West, demolition and subsequent creation of development plots for residential development.

5. East Kilbride Civic Hub

- 5.1. As noted above, Committee approval was granted to prepare a revised City Deal Outline Business Case to realign £32.2 million of City Deal funding to East Kilbride town centre. This funding is required for Centre West demolition works as outlined above and for the development of a new Civic Hub and urban realm in the heart of East Kilbride. The vision for the Civic Hub is to establish a vibrant and recognisable focal point for the town centre with a range of uses that will engage the local community and encourage repeat visits to the town centre.
- 5.2. Threesixty Architecture were appointed to further develop the hub proposals. As part of this development they considered a variety of functions the new hub would be required to perform. The East Kilbride masterplan currently shows the hub at the site of the current Bingo Hall. As requirements for the site have crystallised two further sites were added for consideration, namely Centre West and the Civic Centre site which are in the control of the Council.
- 5.3. After site evaluation it was noted that the Centre West site offers the greatest opportunity and resilience to house the Civic Hub with City Deal funding already allocated for the demolition of the existing structure. Development of the Civic Hub on this site will allow for 250-300 residential units. This site is also a more prominent town centre location
- 5.4. With this in mind, the proposal is to develop the Civic Hub on the Centre West site as this is considered to offer Best Value.
- 5.5. Design work is ongoing, and consultation will be undertaken as detailed proposals emerge.

6. East Kilbride Civic Centre

- 6.1. Although not captured within the boundary of the East Kilbride masterplan, as noted at Committee on 26 June 2019, East Kilbride Civic Centre no longer functions efficiently as a Council asset. The Civic Centre sits on a prominent site within the town centre which has the potential to further strengthen masterplan proposals and contribute to the regeneration of the town centre. As reported to Executive Committee on 24 January 2024, the Civic Centre is currently being marketed by Avison Young, on behalf of the Council, for redevelopment. The site is designated in the local plan for town centre use and as such a range of functions can be considered here.
- 6.2. Key services performed by the Civic Centre that require a town centre location will be provided for within the Civic Hub proposals. It is acknowledged that within the Civic Centre is the Ballerup Hall which would be reprovided within a new Civic Hub.
- 6.3. Expressions of interest in the site/building have been received and a closing date of 30 January 2025 has been set. Thereafter, consideration will be given to any offers received and whether a sale will proceed at this time.

7. Next Steps and Timescales

- 7.1. Officers will continue to work with Interpath and any new owner of East Kilbride Shopping Centre to relocate tenants and achieve vacant possession in Centre West.

- 7.2. Officers will work with the Project Management Team to prepare for the demolition of Centre West and subsequent creation of development plots as close to the date of transfer as possible.
- 7.3. Officers will continue to work up proposals for the Civic Hub on the Centre West site.
- 7.4. East Kilbride Civic Centre will go to closing date late November/ early December.
- 7.5. Officers will continue to develop masterplan proposals and seek opportunities for the development of East Kilbride town centre.

8. Employee Implications

- 8.1. There are no employee implications as a result of the proposals set out in this report. The development and implementation of the masterplan will be led by officers within Enterprise and Sustainable Development Services in consultation officers across Planning, Roads, Property, Housing, Legal, Finance and Procurement Services.
- 8.2. Staff currently working in Centre West are direct employees of Reith Lambert and provided the Centre is no longer operational by 30 December 2025, will not transfer to the Council. The outgoing tenant will indemnify any TUPE costs/obligations.
- 8.3. Staff currently working in East Kilbride Civic Centre are aware of the marketing of the building. Staff will be relocated in due course.

9. Financial Implications

- 9.1. By entering into an agreement outlined in the HoT, the Council will enter into a managed run down of the Centre with ownership transferring in December 2025. This will see no increase in the Council's financial liabilities during calendar years 2024 and 2025 from an operational property owner perspective i.e. all operational costs will be borne by Sapphire 15 s.a.r.l. (in administration) until the date of handover.
- 9.2. By agreeing to the HoT, the Council and Interpath will work towards vacant possession without the Council being liable for Centre West running costs until December 2025. By this point a demolition strategy will have been prepared as well as the procurement of a demolition contractor.
- 9.3. The Empty Property Rates liability associated with Centre West falls to the council and this is assumed within council budgets. As noted above, officers will undertake work on a demolition strategy before the centre transfers to council ownership. This will allow demolition work to commence quickly to mitigate the Empty Property Rates liability.
- 9.4. The City Deal OBC will be considered by the Council at Executive Committee in December and by City Deal Cabinet in February 2025. This funding will allow demolition of Centre West and development of the Civic Hub to progress.

10. Climate Change, Sustainability and Environmental Implications

10.1. Works to take forward the vision of the East Kilbride Town Centre Masterplan and associated development has sustainability at the forefront and projects will be taken forward in line with the Council's sustainability objectives. Site demolition strategies will focus on recycling and reusing materials wherever possible. In addition, there is a focus on sustainable development throughout the project with consideration of initiatives such as district heating.

11. Other Implications

11.1. Agreeing HoT will protect the Council from any differing aspirations of new owners and will show intent to the wider community.

11.2. Locating the Civic Hub on the Centre West site will facilitate the development on Council own land.

11.3. The sale and subsequent redevelopment of East Kilbride Civic Centre will augment work currently being undertaken on East Kilbride Masterplan.

12. Integrated Impact Assessment and Consultation Requirements

12.1. Integrated Impact Assessments will be undertaken as the project is developed.

12.2. The East Kilbride Town Centre Masterplan consultation was held in September 2023. Officers were available in person in East Kilbride Shopping Centre for 3 weeks and an online consultation was open for six weeks. Feedback for the project was largely positive. Further consultation will be undertaken on individual parts of the masterplan projects such as the Civic Hub development at the appropriate points.

David Booth

Executive Director (Community and Enterprise Resources)

7 November 2024

Link(s) to Council Values/Priorities/Outcomes

- ◆ Improve the quality of the physical environment.
- ◆ Support the local economy by promoting the right conditions for growth, improving skills and employability.
- ◆ Partnership working, community leadership and engagement.

Previous References

- ◆ Community and Enterprise Committee Report 24 April 24
- ◆ Executive Committee Report 8 May 24

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:- Victoria Nelson

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