

Report to Cabinet
14 November 2018
Report of Chief finance officer (Section 151 Officer)
Subject Mile Cross Depot Redevelopment

Item

16

KEY DECISION

Purpose

This report summarises the options available to the council for redeveloping the Mile Cross Depot site.

Recommendations

Cabinet is asked to:

- a) Further investigate the viability of providing leisure and community facilities on part of the Mile Cross depot site.
- b) Agree that the resultant costs of further exploring option 3 of £220k is funded from the spend to save reserve. A grant of 50% is currently being sought from One Public Estate.
- c) Agree in principle that part of the Mile Cross depot site is transferred to the ownership of Norwich Regeneration Limited for housing development with the final decision bought back for cabinet approval in May 2019.
- d) Agree that £0.9m of the remaining approved loan facility between the council and Norwich Regeneration Limited, of £1.882m, can be utilised by the company to fund the costs of obtaining detailed planning consent for the housing development.
- e) Delegate the approval of an updated loan agreement to the Chief Executive in consultation with the Chief Finance Officer and the Portfolio Holder for Resources.

Corporate and service priorities

The report helps to meet the corporate priority a healthy city with good housing.

Financial implications

Revenue expenditure of £220k, largely to be incurred in this financial year, of further exploring the viability of providing leisure and community facilities on part of the site.

Use of £0.9m of an existing approved loan facility (of £1.882m) by Norwich Regeneration Limited to fund the costs of obtaining detailed planning consent for housing development on part of the Mile Cross depot site.

Ward/s: Mile Cross

Cabinet member: Councillor Stonard - sustainable and inclusive growth

Contact officers

Karen Watling, chief finance officer ☐☐

01603 212440

Richard Carden, project manager☐

01603 212369

Background documents

None

Background

1. The Mile Cross depot was formerly Norwich City Council's principal works depot and was subsequently managed as a business centre. It is now unoccupied. The depot site is owned by the Council. A site investigation undertaken in 2017 shows a number of different contaminants located on the site and these need to be neutralised or removed prior to any development of the site.
2. As the first stage in redeveloping the site, Council agreed at its meeting on 25th September 2018 to demolish the depot and decontaminate the site. A total budget of £1.975m was approved with £0.98m to be funded by a DHCLG (Department for Housing, Communities and Local Government) Land Release Fund grant and £0.995m of matched funding from the Council's capital receipts.
3. In order to undertake this work a Prior Approval Consent application was approved by the City Council's Planning Committee on 18 September 2018 along with a detailed method statement for the demolition. This includes details of how noise and dust produced will be mitigated and also details of how the demolition will take place to allay any safety concerns.
4. Council also agreed on 25th September 2018 to approve a budget to secure the site pre and post demolition by an independent security firm. There is now added security to the front gate and CCTV towers have been strategically placed around the site with built in motion sensors that alert a central control to any trespass. There is also voice transmission via speakers from the control station and site visits are undertaken at regular intervals during the day and more intensively at night to ensure the site remains secure.
5. It is planned that the demolition of the depot will commence in January 2019 and finish early April 2019. The decontamination will finish at the latest by January 2020.

Development options investigated

6. A council led project team have considered 5 main options for redeveloping the Mile Cross Depot site. The full Options Appraisal is on this Cabinet's agenda but is a below the line report.
 - **Option 1: Do nothing or Base Case:** leave the Mile Cross site empty, cleared and secured with no redevelopment.
 - **Option 2: Redevelop the site for housing:** The land is sold or transferred for shares into the Council's wholly owned company, Norwich Regeneration Limited (NRL), for it to construct housing, with 33% of the units being affordable homes and the remainder divided into private rental sector (PRS) and open market sales.

- **Option 3: Redevelop the site for housing and for leisure / community facilities:** Part of the land is sold or transferred for shares into the Council's wholly owned company, Norwich Regeneration Limited (NRL), for it to construct housing, with 33% of the units being affordable homes and the remainder for open market sale. The rest of the land is retained by the Council who would construct leisure and other community facilities. The development profit realised by NRL from the sale of the private housing would be given to the Council to part fund the construction costs of the new facilities. The Council is currently in discussion with potential partners (including the NHS, the CCG, and Sport England) to either obtain an up-front contribution to the cost of the new facilities and/or a commitment to rent part of the new facilities on a long term basis to provide a revenue income return. That return can then be used by the Council to cover the borrowing costs required if there is a gap in funding the construction of the new facilities.
- **Option 4: Sell to a developer with a Planning and Development Agreement in place for housing:** The Council would incur the costs to get outline planning permission for the site and to draw up a Development Agreement. The site is then sold and the Council receives a capital receipt from the transaction.
- **Option 5: Sell the site on the open market.** The council advertises the site after the demolition and decontamination have finished on site and would receive a capital receipt from the transaction.

7. The options have been reviewed using central government's recommended five case methodology for producing Business Cases in the public sector. The project team have looked at each option to assess whether it:

- provides **business synergy** with other parts of the organisation and a **strategic fit** with the Council's corporate priorities– the "strategic case";
- represents best **public value** – the "economic case": a discounted cash flow giving a Net Present Value (NPV) of each option has been estimated along with the risks associated with each option;
- is attractive to the market place, can be procured and is **commercially viable** – the "commercial case";
- is **affordable** – the "financial case": this is the impact on the Council's budget (either revenue and/or capital); and
- is **achievable** – the "management case".

8. The option appraisal concludes that whilst option 3 at this point in the project exposes the Council to significant planning, construction, market, and financial risks which need to be better understood or eliminated before the Council makes a final decision, this option is potentially the strongest option as analysed under the five case methodology described above.

9. The recommended way forward is for part of the site to be sold or vested into Norwich Regeneration Limited (for an increased shareholding in the company) so that it can start to design and cost the housing development for part of the site and submit a planning application.
10. The Council's project team would continue to have discussions with potential partners to assess the viability of using the remainder of the site for leisure and community facilities or for further housing development.
11. A specialist leisure consultant will be appointed to undertake a public consultation of the requirements needed in a new leisure centre and also to produce a feasibility and design study.
12. The next steps in terms of Council decision making would be as follows:
 - May 2019 – The Council to decide whether to sell or vest part of the site to Norwich Regeneration Limited to construct housing and whether it will lend the company the money to fund the development.
 - September 2019 – The Council to decide whether the remainder of the Mile Cross site is used to construct leisure / community facilities or whether the land is sold or vested into Norwich Regeneration Limited to develop further housing on the site.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	14 November 2018
Director / Head of service	Chief Finance officer
Report subject:	Mile Cross depot redevelopment
Date assessed:	31/10/18

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Apart from option 1, the redevelopment options show positive Net Present values over the longer term
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New leisure / community facilities if developed would provide employment
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New leisure / community facilities if developed would contribute to the government's Sporting Future strategy and Sport England's Towards an Active Nation strategy

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Mile Cross currently has mostly social housing. Creating a mix of housing with some for market sale and PRS rent will help to achieve a more balanced community in the area
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is likely to be increased traffic to Mile Cross Road, although this will be managed by road improvements, additional traffic along Vale Green serving the new housing, again can be managed.
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Increase in green space within the development that does not exist currently, more trees will be planted outweighing the few that may be removed at the boundary of Sloughbottom Park, better connectivity to Sloughbottom park is also expected and also improved green space along Marriott's Way. Poor quality buildings will be replaced with more ecological minded buildings that are more energy efficient.
Waste minimisation & resource use	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Recycling of existing materials on site during construction (where appropriate). Asbestos to be removed and treated. Possible use of modular construction will dramatically reduce waste during construction

	Impact			
Pollution	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Possible increase due to more vehicles in the vicinity. No significant change expected as a result of the proposals in other regards but an air quality report will be provided to verify this.
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unknown at this stage of the design,
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unknown at this stage of the design,
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Options 2 and 3, the latter in particular, expose the Council to planning, construction, market and commercial risks as outlined in the options appraisal

Recommendations from impact assessment

Positive

Negative

The risks potentially involved by pursuing option 3 need to be further understood and reduced before the Council makes a final decision on the redevelopment in September 2019

Neutral

Issues