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| **Report to** | Cabinet | **Item** |
| | 10 June 2020 | 6 |
| **Report of** | Director of place | |
| **Subject** | Mile Cross Depot Site – options for redevelopment | |

**KEY DECISION**

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## Purpose

To consider options for the redevelopment or disposal of the former council depot site in Mile Cross.

## Recommendation

To approve:

(1) The appropriation of land at Mile Cross from the General Fund to the HRA under part ii, Schedule 19(1) of the Housing Act 1985 to enable a social housing led development by the council

(2) A virement of £180,000 from the approved Opportunities Fund to the Mile Cross depot project to provide match funding for the business rates pooling bid for 2020 to allow the scheme to progress to a planning application (RIBA stage 3)

(3) That officers further explore the opportunities and costs for designing and delivering the homes to achieve enhanced environmental standards to help reduce fuel poverty for the residents.

## Corporate and service priorities

The report helps to meet the corporate priority Great neighbourhoods, housing and environment

## Financial implications

The financial implications of the recommendations are included in further detail in the exempt appendix to this report.

**Ward/s**: Mile Cross

**Cabinet member**: Councillor Harris – Deputy leader and social housing

Councillor Kendrick - Resources

Councillor Stonard - Sustainable and inclusive growth

## Contact officers

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| Graham Nelson, Director of place | 01603 212530 |
| Andrew Turnbull, interim housing development manager | 01603 212778 |

## Background documents

None

# Report

## Background

1. The Mile Cross depot was formerly Norwich City Council's principal works depot and was subsequently managed as a business centre. The depot site is owned by the council and held in the General Fund.

2. The land at Mile Cross Depot is allocated in the Greater Norwich Local Plan, ref R36, for mixed use development to include housing and small business workshop units. A minimum of 75 dwellings will be provided.

3. A site investigation undertaken in 2017 showed a number of different contaminants located on the site and these needed to be neutralised or removed prior to any re-development of the site.

4. As the first stage in redeveloping the site, council agreed at its meeting on 25 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 Ministry for Housing, Communities and Local Government (MHCLG) Land Release Fund (LRF) grant and £0.995m of matched funding from the council's capital receipts.

5. The demolition of the depot and the decontamination works have now been completed in line with the contract.

6. The council bid for Business Rates Pooling (BRP) funding for 2020 to assist this project. It was anticipated that £360,000 would be required in 2020 for surveys, design work, planning consultancy and project management with BRP providing £180,000 and the council match funding this. Covid 19 has delayed this work commencing but it is believed the majority of the work can still be completed by the end of the year.

## Development options investigated

7. A report to cabinet in November 2018 outlined a number of options that had been considered for redeveloping the Mile Cross Depot site:

   - ***Option 1: Do nothing or Base Case****;*
   - ***Option 2: Redevelop the site for housing***;
   - ***Option 3: Redevelop the site for housing and for leisure / community facilities;***
   - ***Option 4: Sell to a developer with a Planning and Development Agreement in place for housing***
   - ***Option 5: Sell the site on the open market***

8. Cabinet approved to investigate further the option 3 as the preferred option with option 2 as a 'fall back' position.

9. For the November 2018 cabinet report options 1-5 were reviewed using central government's recommended five case methodology for producing business cases in the public sector. Each option was assessed as to whether it:

   a) provides business synergy with other parts of the organisation and a strategic fit with the council's corporate priorities– the **"strategic case"**;

   b) 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;

   c) is attractive to the market place, can be procured and is commercially viable – the **"commercial case"**;

   d) is affordable – the **"financial case"**: this is the impact on the council's budget (either revenue and/or capital); and

   e) is achievable – the **"management case"**.

10. At November 2018 cabinet it was further agreed that Norwich Regeneration Ltd (NRL) would take forward the work to assess the residential options and separately consultants would be commissioned to assess the options and business case for the leisure facility.

11. Options for the leisure facility were assessed, with varying degrees of viability as a business model, however all options required significant cross subsidy from the residential element to fund the build cost of the leisure centre. The development viability undertaken by NRL showed that there would not be sufficient surplus generated from the residential scheme to fund the building of the leisure centre.

12. The work carried out by NRL on the residential element up to RIBA stage 1 has also concluded that there is insufficient evidence to support a commercially viable, private residential development with 33% affordable housing.

13. This means that the two previously preferred development options fail a number of the public sector business case requirements.

14. Further options have now been explored to take the site forward:
    a) Disposal of the site on the open market
    b) Social housing led residential development
    c) Provision of a GP surgery / health facility on part of the site

**Disposal of the site**

15. With further uncertainty around the ground conditions and the uncertainty in the current residential market due to the Covid 19 virus, it is difficult to get an exact market value of the site, however NPS Norwich have provided a range based upon an assumed development that could be delivered and this is explained in the exempt appendix to this report.

16. The disposal of the site at this time would not represent value for money, following the investment to remediate the site, and therefore is not a recommended option.

**Social Housing Led Development**

17. The approved Norwich City Council Corporate Plan 2019-22 includes the corporate priorities, people living well, to provide great neighbourhoods, housing and environment and an inclusive economy. The provision of high quality new social housing cuts across each of these priorities and helps to deliver on the commitment to build and maintain a range of social housing.

18. In November 2019 cabinet approved the council housing strategy. The vision outlined is to '**provide good quality, well maintained affordable homes to meet local housing needs within a safe, clean and well cared for neighbourhood'** and included an aspiration to deliver significant levels of new social rented homes over the next 6 years. These new homes will go some way to replacing the approximate 140 homes per annum that are currently being lost through the Right to Buy.

19. The master planning work carried out by NRL has shown that approximately 150 homes could be achieved on the site alongside a small health facility for a GP practice and pharmacy. The layouts for the masterplan were based upon a market sale led strategy, with predominantly semi-detached homes with off street parking.

20. For a social housing led development it is believed a higher density could be achieved with Home Options reporting a strong housing need for 1-bedroom flats, 2-bedroom houses and larger family houses of 4-bedrooms plus, that could be arranged in terraces. It is believed that a development of approximately 200 homes could be achieved equating to a density of approx. 52 dwellings per hectare.

21. The exact mix of homes will be agreed as the design evolves, and is being informed by data from the council's home options waiting list, but as an example the Goldsmith Street project delivered approximately 50% flats and 50% houses at a density of approx. 82 dwellings per hectare. Final density is anticipated to be lower at Mile Cross than Goldsmith Street due to the character of the area.

22. Outline financial feasibility models have been prepared, and the outcomes provided in the exempt appendix to this report, based upon the current masterplan and costings provided by Oxbury & Co for NRL. In order to deliver on the council commitment to deliver new council development to the highest environmental standards that are financially viable, feasibility studies were carried out on the masterplan to meet building regulations, at an enhanced environmental standard and at a Passivhaus standard for comparison.

23. The enhanced environmental standard would follow a fabric first approach to development built around Passivhaus principles. Principally this would look to achieve approx. 50% savings on space heating bills through increased

insulation / air tightness, triple glazed windows, mechanical ventilation heat recovery systems, passive solar gain and if required renewable technology.

24. The feasibility shows that this scheme should pay for itself over a 50-year period for a building regulations compliant scheme, would require a small amount of additional subsidy either from the HRA or from a S106 commuted sum (sufficient is currently held), whilst the Passivhaus scheme would require significant additional subsidy from the HRA.

25. It is believed that the enhanced environmental standards option, delivered by taking a fabric first approach with increased insulation, offers the best value for money to the council will help to deliver on our commitment to help reduce fuel poverty for our tenants through lower fuel bills and is affordable within the overall HRA business plan. Further work will be carried out during the design phase in order to assess the level of enhancement that can be delivered. In addition, the development would be able to utilise a significant amount of retained Right to Buy receipts and reduce the risk of paying these to the Government with associated interest.

26. In order for this development to be a social housing led development by the council the land needs to be appropriated from the General Fund to the Housing Revenue Account. Property that is used as defined under part ii, Schedule 19(1) of the Housing Act 1985 should fall within the Housing Revenue Account as stated under part IV of the Local Government and Housing Act 1989. There are minimal financial impacts of this appropriation that are detailed in the exempt appendix to this report.

27. The council has also been in discussion with a GP practice to consider including new surgery and pharmacy in this location. Further discussions will continue to consider including this in the short term without prejudicing taking forward the social housing scheme. The fall-back position would be to utilise the space required for this facility for additional residential dwellings.

28. The council will be able to make a significant contribution to the local economy, and the construction industry recovery with this scheme, and would look to work with contractors to utilise sustainable local materials and labour wherever possible.

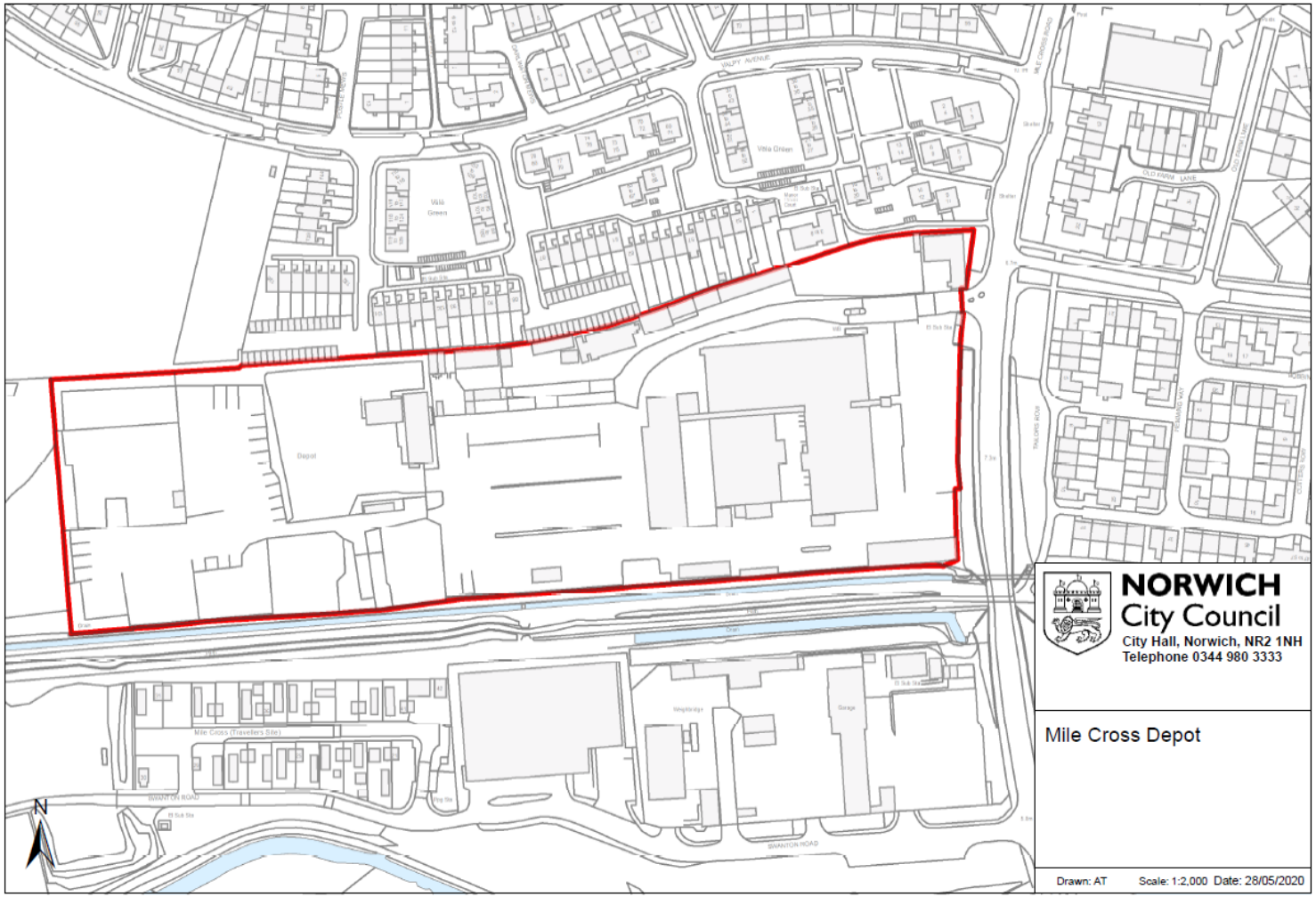
**Next steps and programme:**

29. The timetable below is a high-level expectation at this time. A full project plan will be prepared and reviewed regularly by a project team and board.

    a) Consider options for a delivery route for council developments and report to cabinet with a recommendation (July 2020);
    b) Assess current information and if necessary undertake further ground investigations to assess the risk and cost to inform the foundation strategy (August 2020);
    c) Undertake further discussions with the GP surgery to assess this being included (August 2020);
    d) Prepare designs and undertake public consultation (February 2021)

e) Submission of planning application (Spring 2021);
f) Planning Permission Decision (Summer 2021)
g) Final business case for development (Summer 2021)
h) Start on Site (Autumn 2021)
i) Phased Completion (June 2023-June 2024)

Appendix 1 – Site Plan of Mile Cross Depot



# Integrated impact assessment

NORWICH City Council

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

| Report author to complete | |
|---|---|
| **Committee:** | Cabinet |
| **Committee date:** | 10 June 2020 |
| **Director / Head of service** | Director of Place |
| **Report subject:** | Mile Cross Depot Site – options for redevelopment |
| **Date assessed:** | 15 May 2020 |

| | Impact | | | |
|---|---|---|---|---|
| **Economic (please add an 'x' as appropriate)** | **Neutral** | **Positive** | **Negative** | **Comments** |
| **Finance (value for money)** | ☐ | ☒ | ☐ | Provision of more council homes will improve overall affordability of the housing stock. This represents a prudent use of financial resources to meet corporate priorities |
| **Other departments and services e.g. office facilities, customer contact** | ☒ | ☐ | ☐ | |
| **ICT services** | ☒ | ☐ | ☐ | |
| **Economic development** | ☐ | ☒ | ☐ | This project will provide employment opportunities, opportunities for local contractors and businesses and will generate local spending for the benefit of the wider economy. Providing more housing is important in supporting sustainable economic growth and prosperity |
| **Financial inclusion** | ☐ | ☒ | ☐ | Providing additional social rented housing will advance financial inclusion by helping to improve housing affordability |
| | | | | |
| **Social (please add an 'x' as appropriate)** | **Neutral** | **Positive** | **Negative** | **Comments** |
| **Safeguarding children and adults** | ☐ | ☒ | ☐ | Building more council homes to meet changing needs will help provide accommodation for vulnerable adults and children. |
| **S17 crime and disorder act 1998** | ☒ | ☐ | ☐ | |
| **Human Rights Act 1998** | ☒ | ☐ | ☐ | |

| | Impact | | | |
|---|---|---|---|---|
| **Health and well being** | ☐ | ☒ | ☐ | The provision of sufficient and decent quality housing is essential to ensuring decent levels of health and well being. If feasible the provision of a new GP surgery and pharmacy in this location will further help to improve health and well-being for residents and the local community. |
| | | | | |
| **Equality and diversity (please add an 'x' as appropriate)** | **Neutral** | **Positive** | **Negative** | **Comments** |
| **Relations between groups (cohesion)** | ☒ | ☐ | ☐ | |
| **Eliminating discrimination & harassment** | ☒ | ☐ | ☐ | |
| **Advancing equality of opportunity** | ☒ | ☐ | ☐ | |
| | | | | |
| **Environmental (please add an 'x' as appropriate)** | **Neutral** | **Positive** | **Negative** | **Comments** |
| **Transportation** | ☒ | ☐ | ☐ | |
| **Natural and built environment** | ☐ | ☒ | ☐ | Provision of high quality new homes will enhance the built environment of this area. In addition there is scope to enhance the green links to the adjacent park and the Marriotts Way. |
| **Waste minimisation & resource use** | ☒ | ☐ | ☐ | |
| **Pollution** | ☒ | ☐ | ☐ | |

| | Impact | | | |
|---|---|---|---|---|
| **Sustainable procurement** | ☒ | ☐ | ☐ | |
| **Energy and climate change** | ☐ | ☒ | ☐ | There is opportunity for the new homes to be designed and built to a higher environmental standard than building regulations, which will bring benefits to both the environment and tenants, when compared with standard build types. The focus will be on reducing energy and water demands to help reduce fuel bills for residents and to assist the council with meeting the commitments to the climate change agenda |
| | | | | |
| **(Please add an 'x' as appropriate)** | **Neutral** | **Positive** | **Negative** | **Comments** |
| **Risk management** | ☐ | ☒ | ☐ | Appropriation of the land to the HRA reduces the risk of further expenditure to the General Fund and allows the council to utilise significant retained RTB receipts, which will reduce the risk of having to pay these to central Government along with punitive interest payments.<br><br>There are risks with the ground conditions, but these can be mitigated and a significant sum has been included within appraisals to deal with these issues along with a contingency. |

| Recommendations from impact assessment |
| --- |
| **Positive** |
| Overall the project will  provide more council homes which will improve overall affordability of the housing stock.  The investment priorities represent a prudent use of financial resources to meet corporate priorities and will provide local employment opportunities. |
| **Negative** |
| There are known adverse ground conditions, however sufficient resource has been included within the financial appraisals to mitigate this risk. |
| **Neutral** |
| |
| **Issues** |
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