

Report to Council
25 September 2018
Report of Chief finance officer (Section 151 Officer)
Subject Mile Cross Depot Redevelopment

Item

8

Purpose

To seek approval to demolish the buildings and decontaminate the land at the Mile Cross Depot site.

Recommendation

To approve an increase in the General Fund capital budget of £1.975m (£0.550m in 2018/19 and £1.425m in 2019/20) to undertake the required works at the Mile Cross depot site.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

A new capital budget requirement of £1.975m, to be funded by a DHCLG (Department for Housing, Communities and Local Government) Land Release Fund grant of £0.980m and £0.995m of matched funding from the council's capital receipts. This will also result in a revenue budget saving of £0.1m (full year effect).

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

Report

Background Information

1. The Mile Cross depot was formerly Norwich City Council's principal works depot and was subsequently managed as a business centre. The last remaining occupant of the site (Norwich Norse Environmental) vacated in August 2018.
2. The site is located close to the city centre and main transport routes and is adjacent to Sloughbottom Public Park. It is in the ownership and control of Norwich City Council.
3. Planning policy for the site is for a mixed use development to include housing. Ground investigations have been carried out which reveal low levels of ground gas and other chemical contaminants as well as asbestos.
4. Given the ground contamination and the desire to redevelop the site, a bid was made last year for Land Release Funding from central government. This bid was successful and £980k has been awarded to the Council. The grant condition requires this to be used so as to make the site "released" for housing redevelopment by 2020.
5. Officers are currently working on the options available for redeveloping the Mile Cross Depot site including:
 1. Sale of the site to a private developer (possibly with planning and a Development Agreement in place).
 2. Transfer/sale of the site to the Council's company, Norwich Regeneration Limited (NRL), for the company to build housing.
 3. Transfer/sale of part of the site to NRL to construct housing with the Council retaining part to build health & wellbeing and other community facilities.
6. A preliminary Business Case and options appraisal is scheduled to be tabled at Cabinet during November 2018. Feedback from informal discussions with Cabinet and Ward Members show the third option as being the preferred way forward if discussions with potential partners and the funding arrangements can be successfully concluded.
7. A decision however is required now whether to proceed with the demolition of the depot and the decontamination of the site given the lead in time required to procure and undertake the necessary works and the need to have the site cleared and decontaminated by the deadline of 2020.

Description of the works required

8. The buildings are a mixture of traditional and non-traditional light industrial units that made up a former Corporation Works Depot. The majority of buildings are asbestos clad with a reinforced concrete frame, the remaining structures are a mixture of brick built with flat roofs and portakabin type buildings.

9. The demolition will be carried out in accordance with BS 6187:2011 code of practice for full and partial demolition and will include:
 - The removal of all ground floor slabs, foundations and base pads.
 - Removal and disposal of all debris/items left by former tenants.
 - Removal and disposal of green waste within the site boundary.
 - Removal of 3 underground fuel tanks.
 - Removal and disposal of all concrete, tarmac and asphalt hardstanding within the site boundary.
 - Vibration and noise monitoring will be in place and there will be dust suppression when required.

10. Remediation of the entire site will need to be undertaken. 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. It is considered that it will be more cost effective to undertake this work across the entire site and will be a requirement of any planning permission going forward.

11. In order to undertake this work a Prior Approval Consent application will need to be submitted to the Planning Department with a detailed method statement for the demolition. This will include 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.

12. Security of the site – Pre-demolition and post demolition, the site will be secured by an independent security firm. The site is currently surrounded by walls and fencing ensuring ingress to the site is challenging unless via the front gate. This fencing has been checked and is secure around the entire boundary. There will be a new lock and added security to the front gate to the site. Within the boundary, there will be CCTV towers strategically placed around the site with built in motion sensors that alert a central control to any trespass within the site. There is also voice transmission via speakers from the control station. Additionally site visits will be undertaken at regular intervals during the day and more intensively at night to ensure the site remains secure.

Timeline for the works

Task	By When
Procure contractor for demolition and decontamination	Early October 2018
Seek prior approval consent for demolition from Planning Department with Approval expected	End November 2018
Demolition works completed	April 2019
Decontamination works completed	January 2020

Financial Implications

13. The total capital cost of the works is estimated at £1.975m (see table below). The Land Release Funding (LRF) grant would be used to part-fund these works leaving a net funding requirement of £0.995m to be met by the Council.

Cost Element	Estimate £000	Basis of Estimate
Site Clearance/Demolition	700	Initial quote
Remediation/Decontamination	1,200	Estimate by Land Contamination Specialist
Security of the site	75	Initial quote
Total Estimated Cost	1,975	

Mile Cross Depot Funding Analysis			Funding Allocation			
			NCC Capital Receipts	LRF	NCC Capital Receipts	LRF
Cost Element	2018/19 £000	2019/20 £000	2018/19 £000		2019/20 £000	
Site Clearance/Demolition	525	175	278	247	104	71
Remediation/Decontamination	0	1,200	0	0	575	625
Security of the site	25	50	13	12	25	25
GF Non Housing Budget Required/Funding Allocation	550	1,425	291	259	704	721

14. The Chief Finance Officer recommends that the matched funding of £0.995m is funded from capital receipts. External borrowing is not currently an option because this would incur revenue budget growth in external interest charges and Minimum Revenue Provision (MRP) costs. The Business Case for the project has not yet been developed to the stage whereby it is certain that the redevelopment would generate a new revenue income stream sufficient to cover these costs. If this situation changes once the Business Case is completed, then the funding will be financed from external borrowing rather than using a capital receipt.
15. The Council's General Fund currently holds £0.7m of already-received capital receipt money over and above the amount needed to fund the approved capital programme for this financial year. Information of forecast future property sales obtained from NPS show there is a reasonable expectation that a further £4m could be received by the end of the financial year. Most of the latter is already earmarked to fund the base capital programme for the next five years but £0.295m could be released from this amount.
16. Under options 1 and 2 referred to above, the Council is likely to recoup the value of this matched capital funding. In the "worst case" scenario, the Council would sell the site to a private developer. A preliminary desktop valuation of the Mile Cross Depot site gives a range from £3.85m to £5.5m (the latter with the site not only cleared and clean but with outline planning permission granted).

17. Under option 2, i.e. transferring the site to Norwich Regeneration Limited to develop housing, the market value of the cleared site would need to be given (either in cash or in equity shares) to the council from the company otherwise the transaction may contravene state aid rules.
18. For option 3, where part of the site is transferred to NRL for housing development and part retained by the Council to develop community facilities, the situation is less clear. There is a risk that all or part of the monetary value the Council puts in now to clear the site will not be reimbursed. Legal advice and further financial analysis will be required when the costs and funding of the options are better known later this year and reported to Cabinet and Council for approval.
19. The demolition of the building will result in a revenue budget saving in Business Rates and other property expenses totalling approximately £60k in this financial year and £123k for a full financial year (2019/20 and onwards).
20. The demolition of the property also means that the Events Team's equipment and the Gurney Clock have to be stored elsewhere, the resultant increase in costs are £12k in this financial year and £18k for a full financial year (2019/20 and onwards).

Financial risks

21. The following table sets out the potential financial risks arising from the recommendations made in this report.

Risk	Quantum	Mitigation/Risk Level
Not having the site cleared and released for housing development by 2020	The Council would potentially need to hand back the £980k Land Release Funding Grant	<p>MEDIUM RISK</p> <p>Council is being asked to agree the funding of the demolition and decontamination now so that a contractor can be procured to start on site ASAP</p> <p>Officers will keep DHCLG continually informed on progress so that they may allow some slippage if needed</p>
Not having sufficient capital receipts to fund the cost of the works	The Council may need to fund £295k from its general fund reserves	<p>LOW RISK</p> <p>Very low risk that further capital receipts will not be generated to the value required</p>

<p>The capital funding will not be recouped by the council</p>	<p>The £0.995m may not be reimbursed therefore this amount of money will not be available for funding the future capital programme</p>	<p>LOW TO HIGH RISK</p> <p>The risk level depends on the option ultimately taken with option 3 being the most risky. The issue will be a factor to consider in the Business Case to be tabled at Cabinet and Council in November 2018</p>
<p>Overspend against estimated budget requirement</p>	<p>Cannot quantify</p>	<p>LOW RISK</p> <p>The estimates have been provided by various specialists who have visited the site</p>

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:	Council
Committee date:	25 September 2018
Director / Head of service	Chief Finance Officer
Report subject:	Mile Cross Depot Redevelopment
Date assessed:	13 September 2018

	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"/>	The works proposed in this report would result in a revenue budget saving of £0.1m per annum
Other departments and services e.g. office facilities, customer contact	<input 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"/>	Mile Cross currently consists of predominantly social housing. The works proposed in this report will enable the site to be developed for mixed housing, with a higher proportion of housing for private sale on this site which will help to achieve a more balanced community, allow for greater social mobility in the area, and help to change the perception of the Mile Cross area.
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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	
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	
Risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is a medium level of risk that the works proposed in the report may not deliver a cleared site by April 2020, which could mean the Council having to repay the £980k grant back to central government.

Recommendations from impact assessment
Positive
Economic development and Finance (value for money)
Negative
Risk
Neutral
Issues