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**HUNDENS DEPOT RELOCATION**

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**Responsible Cabinet Member - Councillor Stephen Harker**  
**Efficiency and Resources Portfolio**

**Responsible Director - Richard Alty, Director of Place**  
**Paul Wildsmith, Director of Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report seeks Council approval to use the £1.2 million loan from the Growing Places Fund as soon as it becomes available in order to expedite progress with relocation of the operational aspects of the Council Depot and to remove the constraint on progress of the Central Park Development.

**Summary**

2. The Central Park Development is now moving forward and Members agreed the revision to the master plan at Cabinet on 1 May 2012. Alongside this the Council has also secured a £1.2 million loan from the Growing Places Fund and at Cabinet on the 12 June 2012, released £400,000 of the Housing Growth Point Fund as a contingency to go towards relocating the operational aspects of the Depot at Hundens Lane.
3. It will take up to 12 months to relocate the operational aspects of the Depot once approval to proceed has been given. Central Park is a key regeneration site for the Council and therefore there is a need to relocate the Depot at the earliest opportunity as funding is now available to achieve the relocation of the Depot this project can now progress.
4. By moving forward with the Depot Relocation and committing the finance prior to the final deed of variation being signed off by CKY, will mean the Council has to underwrite the £1.2 million loan, which is to be paid back to Tees Valley Unlimited (TVU) in three years time. However, CKY will be legally bound to pay the Council a land receipt in sufficient time for the Council to repay this loan; once the deed of variation to the development agreement is signed. If for any reason CKY fail to complete the deed of variation in respect of the development agreement or fail to proceed with the Central Park scheme as a whole, then the Council would need to take account of £1.2 million within the Medium Term Financial Plan. In this situation, the Council would still own the Hundens Depot site and would market it again for sale, of which any capital receipt could be used to underpin this financial commitment.

## Recommendation

5. It is recommended that the Council agrees to underwrite the £1.2 million loan from the Growing Places Fund and to use that funding as soon as it has been allocated by Tees Valley Unlimited for the relocation of the operational aspects of the Depot.

## Reason

6. The recommendation is supported to enable the Council to relocate the existing operational aspects of the Depot from Hundens Lane to a suitable site(s) from which to operate operational services for Place.

**Richard Alty**  
**Director of Place**

## Background Papers

- (i) Growing Place Fund Cabinet Report April 2012
- (ii) Central Park – Refreshed Scheme and Consequential Changes to the Development Agreement Cabinet Report May 2012
- (iii) Hundens Depot Relocation Cabinet Report June 2012

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S17 Crime and Disorder	None
Health and Well Being	None
Carbon Impact	It is not envisaged there will be any negative impact on carbon diversity.
Diversity	The proposed arrangements will have a neutral or positive impact on diversity.
Wards Affected	All Wards receive a range of services delivered from the existing Depot and any potential new site(s).
Groups Affected	All
Budget and Policy Framework	This report does not recommend a change to the Council's budget, but seeks permission to underwrite the £1.2M loan from the Growing Places fund. If the Development agreement does not proceed the Council would need to make provision in future years MTFP to accommodate the loan repayment.
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
One Darlington: Perfectly Placed	Central Park is identified as a strategic location for new development, second only to the town centre. The Central Park development at the existing Depot site will contribute towards all themes within One Darlington: Perfectly Placed.
Efficiency	The proposed arrangements will help to ensure the efficient and continued operation of services delivered from the existing site and potential new site(s).

## **MAIN REPORT**

### **Information and Analysis**

#### **Background**

7. At Cabinet on 1 May 2012, Members approved the revisions to the master plan for the Central Park Development. Cabinet in April also approved the release of the £1.2 million Growing Places Fund Loan to the Council to assist with the relocation of the operational aspects of the Depot at Hundens Lane. Once the deed of variation is finalised with CKY for Central Park, the Consortium will be legally bound to pay the Council a land receipt in sufficient time for the Growing Places Fund to be repaid to TVU. It is likely that the process to finalise the Legal agreement variation with the Consortium will take up to the end of September 2012.

#### **Timescale to Relocate the Depot**

8. It will take up to 12 months to relocate the operational aspects of the Depot once approval to proceed has been given. This is to enable:
  - (a) Identification of suitable sites
  - (b) Any planning requirements for adaptations of that site
  - (c) Time to carry out any works necessary to the site
  - (d) Legal process to relocate in terms of operator's licence
  - (e) Enable procurement of alternative model for Stores and Joiners Workshop
  - (f) Site clearance and relocation
  - (g) Turnkey solution
9. Work has been ongoing now for a number of months to identify suitable sites and there are currently four that could either work individually or depending on the site, the operational aspect of Place services could operate from two or three locations.

#### **Evaluation of Potential Sites**

10. It will be necessary to carry out a detailed evaluation of any suitable site(s) prior to entering into detailed negotiations. The analysis used for this evaluation will be on the following basis:
  - (a) Is the site(s) big enough to house the services required for effective operational delivery of Services for Place as per the outcome of the Services for Place Review.
  - (b) Is there adequate funding available to either purchase or lease the site(s) available.
  - (c) Are significant changes needed to the site to make it fit for purpose.
  - (d) Are any planning applications required for the use of the site(s).
  - (e) Does the location(s) build in any additional operational costs to the existing services.

11. Subject to the outcome of the analysis, detailed negotiations will be entered into with site owners to achieve the best deal for the Council.

### **Financial Implications**

12. The funding to facilitate the relocation of the Depot is comprised of £1.2 million from the Growing Places Fund and £400,000 from the contingency within the Housing Growth Point Fund. The developer consortium will commit to paying the Council a land receipt of between £1million and £1.2million in 2015 (in sufficient time to meet TVU's repayment expectations). The precise amount will be known by the time the Development Agreement variation is signed.
13. The implication is that the Council may have to underwrite £200,000 of the Growing Places Fund. This could be off set against the £400,000 Housing Growth Point Contingency funding allocated towards the depot relocation. In effect this means that the budget for the depot may be limited to £1.4million (if only £1million were received from the developer), unless provision is made in a future Medium Term Financial Plan or through revenue savings.
14. In addition, the Council currently spends approximately £350,000 a year on operating costs of the existing Depot site. However, as the office accommodation on that site will remain for the foreseeable future, up to £100,000 revenue costs will need to remain for that building. Therefore, there is ongoing revenue of £250,000 available to fund the running costs of the new site(s).
15. The sites that are currently available, and officers have inspected, range in purchasing price of £650,000 up to £800,000 and to lease, depending upon which site and the size of the site, anywhere from £75,000 up to £150,000 per annum. In addition to lease costs, there will obviously be the operating costs associated with utilities, rates and other associate costs. These figures are without any negotiation taking place with the site owners and it is anticipated they could be improved.
16. The sites that are currently available can be purchased or leased within the funding that has been allocated to the relocation of the Depot.
17. The available funding to relocate the Depot is not just for the purchase of an alternative site(s) but also to ensure:
  - (a) The existing Depot is cleared of all debris
  - (b) Planning and other permissions
  - (c) Any building works to new site(s)
  - (d) Professional fees
  - (e) Splitting up of utilities on Depot site leaving appropriate provision for the office block

### **Central Park Development**

18. As discussed earlier in this report, at Cabinet on 1 May 2012, Members approved the revision to the master plan for the Central Park Development and work is now ongoing on finalising the deed of variation to the development agreement with a view to that being completed and legally signed by the end of September 2012. Thereafter, once the legal

agreements are signed, it could take up to a further 12 months to relocate the operational aspects of the Depot at Hundens Lane.

19. Central Park is a key regeneration site for the Council, which has already seen significant improvement, the building of the new Darlington College and Teesside University campus alongside other facilitating works. The Growing Places Fund Loan of £1.2 million is only available this year and if for any reason, the development agreement takes longer to sign or ultimately the development with CKY did not take place, then the Council would lose that loan and then be unable to fund the relocation of the Depot. It is therefore proposed to move forward with the Depot relocation prior to the deed of variation being signed to ensure the Council does not lose out on the loan.
20. If Council followed this course of action then £1.2 million could be used this year to fund the relocation, alongside the £400,000 contingency from the Housing Growth Point Fund. The £1.2 million is a loan, which has to be paid back in three years. This therefore places an element of risk with the Council that if the deed of variation was not signed with CKY then the Council would be liable to pay back that loan in three years time. This risk is viewed to be minimal and in any event, the Central Park site would be remarketed and any proceeds received from any alternative development could be used to fund paying back the loan.

## **Conclusion**

21. While the Central Park Development continues to move forward and it is anticipated that the deed of variation to the development agreement will be legally signed off towards the end of September 2012, there is a risk that this may take longer or if it were not to happen at all, the Council could lose the opportunity of a £1.2 million loan from the Growing Places Fund.
22. With the sites that are currently available on the market, £1.4million to £1.6million (as explained in paragraphs 12 and 13), alongside the existing revenue cost for the Depot should be adequate to relocate the Depot, and operate services from the new site(s) subject to detailed negotiations with premises/landowners.
23. It is therefore proposed that Council approve the relocation of the operational aspects of the Depot at Hundens Lane prior to the legal sign-off of the Central Park development with CKY. This will put the Council at risk of having to pay back a loan within three years if the development in its current form does not go forward. However it is believed that this risk is minimal and in any event, the Council will receive a capital receipt from the sale of the site at some point in the future as Central Park is a key regeneration site within the Borough.