
HUNDENS DEPOT RELOCATION

**Responsible Cabinet Members -
Councillor Stephen Harker – Efficiency and Resources Portfolio
Councillor Chris McEwan – Economy and Regeneration Portfolio**

**Responsible Directors – Paul Wildsmith, Director of Resources
Richard Alty, Director of Place**

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report are:
 - (a) To ask Council to agree capital funding of £4.6m for the relocation of the Council Depot to be funded initially by prudential borrowing and Growing Places Funding; and
 - (b) To seek Council approval for the estimated revenue financial consequences of the scheme, noting the range of costs is dependent on varying factors in the future.

Summary

2. In May 2012, Cabinet endorsed the refreshed masterplan for Central Park and agreed the Heads of Terms for a Deed of Variation to the original Development Agreement which was required to enable the refreshed scheme to be delivered by the developer consortium selected in 2007, including changes to the delivery mechanism and funding of Hundens depot. Authority was delegated to the Director of Resources and Director of Place to negotiate and complete the Deed of Variation in line with the principles set out in the Heads of Terms.
3. Since May all parties have been working in line with the principles agreed in efforts to complete the Deed of Variation to enable the development to start in early 2013.
4. In September 2012, the developer consortium indicated that they are no longer able to agree to key principles agreed in the Heads of Terms. In November 2012, one of the residential developers confirmed that they are no longer able to meet their obligations in the original Development Agreement or enter into the Deed of Variation.

5. On 5 March 2012 Cabinet considered the position reached by the parties and made the following resolutions which they considered necessary to secure the best outcome for the Council and to help advance the delivery of Central Park:
 - (a) Cabinet agreed to the negotiated termination of the Development Agreement with CKY;
 - (b) Cabinet agreed to a land deal with Keepmoat for Central Park North – Residential;
 - (c) Cabinet agreed to enter a revised Joint Venture with the Homes and Community Agency for Central Park;
 - (d) Cabinet delegate authority to the Director of Resources in consultation with the Director of Place for the negotiation and completion of the agreements identified in 5(a) to 5(c) above.
 - (e) Cabinet delegated authority to the Director of Resources in consultation with Director of Place, to negotiate the disposal of the depot office site to assist in the delivery of Central Park.;
 - (f) Cabinet agreed to recommend that Council:
 - (i) Agree capital funding of £4.6m for the relocation of the Council Depot to be funded initially by prudential borrowing and Growing Places Funding as set out in paragraph 18(a) of this report;
 - (ii) Approve the estimated revenue financial consequences of the scheme as set out in paragraph 18(d) of this report noting the range of costs is dependent on varying factors in the future.
6. The purpose of this report is a result of the Cabinet resolution as set out in 5(f)(i) and (ii) above.
7. In making its decision Cabinet considered the various legal and financial risks associated with the options available and balanced these against the benefits of enabling a start to the Central Park regeneration scheme in the short term, which were helping:
 - (a) The local economy;
 - (b) Ensure that there is no significant under delivery in respect of the Borough's five year housing land supply
 - (c) Reduce the risks to the delivery of the Business Growth Hub;
 - (d) The delivery of new homes in the short term will boost the Council's New Home Bonus and Council Tax income.
8. Due to the site constraints facing Central Park, the relocation of Hundens Depot is essential to enable a start to the development so these benefits can be realised. The first phase (known as Central Park North – Residential) will deliver c327 new homes and a potential local centre. The receipt generated will fund the remaining

acquisitions required to unlock the south of the site, delivering the commercial area (including Enterprise Zone) and a further c180 homes. The capital expenditure is to fund the relocation of Hundens Depot, including:

- (a) The purchase of a new site;
- (b) Renovations to the new site including the provision of a fitting shop for vehicle maintenance;
- (c) New build office for c70 employees and welfare facilities; and
- (d) Improvements to Lingfield Way, including the provision of a new salt barn and vehicle parking;
- (e) Professional fees and contingency.

Recommendation

9. It is recommended that :-

- (a) Council agree capital funding of £4.6m for the relocation of the Council Depot to be funded initially by prudential borrowing and Growing Places Funding as set out in paragraph 18 of the report; and
- (b) Council approve the estimated revenue financial consequences of the scheme as set out in paragraph 18 of the report noting the range of costs is dependent on varying factors in the future.

Reasons

10. The Cabinet resolution of 5 March 2013 entails increased financial implications for the Council because the revised delivery mechanism has less certainty in respect of the delivery of Central Park South than the previous arrangement. Given the nature of these financial implications, the constitution requires a Council resolution.

Paul Wildsmith, Director of Resources

Richard Alty, Director of Place

Background Papers

- (i) Central Park – Refreshed scheme and consequential changes to the development agreement (1 May 2012) and appendices.
- (ii) Hundens Depot Relocation (12 June 12) Cabinet
- (iii) Hundens Depot Relocation (19 July 2012) Council

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| S17 Crime and Disorder | The report has no implications for crime and disorder. |
| Health and Well Being | The report has no implications for health and well being. |
| Carbon Impact | The report has no implications on carbon impact. |
| Diversity | The report has no implications on diversity. |
| Wards Affected | Lingfield, Central and Bank Top |
| Groups Affected | All |
| Budget and Policy Framework | This report seeks approval for changes to the Council's budget as stated in the recommendations. |

| | |
|----------------------------------|---|
| Key Decision | Yes. The regeneration of Central Park will have regenerative benefits for the communities living and working within the Borough. |
| Urgent Decision | No |
| One Darlington: Perfectly Placed | The LDF Core Strategy is the spatial representation of One Darlington: Perfectly Placed. Central Park is identified as a strategic location for new development second only to the town centre. Central Park will contribute towards all themes in One Darlington: Perfectly Placed. |
| Efficiency | The workload resulting from the recommendation in this report assumes resources at existing levels within the Programmes and Projects Section and will continue to require staff time from key officers across the Council who contribute towards the delivery of the project. The financial implications are set out in detail within the report. |

MAIN REPORT

Central Park Delivery Mechanism – Development Agreement

11. The Central Park developer consortium (CKY) was selected in 2007 through a competitive process following which the underlying Development Agreement was negotiated and signed in April 2009. Significant changes in economic conditions and an increase in development costs have rendered the original scheme commercially unviable. Under the terms of the Development Agreement the partners, namely the Council, the Homes and Community Agency (HCA) and the developer consortium (CKY) have been working closely in efforts to unlock this stalled development and secure the early commencement of the development. The necessary changes to the scheme and the underlying Development Agreement were considered and endorsed by Cabinet on 1 May 2012 including the revised delivery mechanism for the depot. Since May 2012 the Council has been acting in line with the resolutions made by Cabinet to negotiate and complete a Deed of Variation to enable the development to commence early 2013.
12. The Developer Consortium has, however, identified that they are no longer able to agree the principles as set out in the Heads of Terms approved by Cabinet on 1 May 2012. For this reason, Cabinet has agreed a revised approach to the delivery of Central Park.

Hundens Lane Depot Relocation

13. A significant portion of Central Park North is currently occupied by the Council's Hundens Lane Depot, which needs to be relocated to facilitate the development. In May 2012, Cabinet considered and endorsed the proposed change to the scheme and delivery of Central Park, which identified that the development could generate £4m by way of a land receipt (in staged payments) which the Council could utilise to fund the relocation of its depot from Vicarage Road. This report identified that the actual costs of the depot relocation were still unknown. As it is operationally

feasible to operate the depot from a split site with the depot offices remaining in situ, the proposal in May 2012 was to relocate the operational aspects of the depot to facilitate the delivery of Phase 1 (Central Park North) with the depot offices identified for relocation when Phase 2 (Central Park South) was realised.

14. To this effect, a further paper considered by Cabinet on 12th June 2012 setting out the process which the Council would follow in identifying the solution for the depot relocation. Cabinet resolved to delegate authority to the Director of Resources in consultation with the portfolio holder for Efficiency and Resources to lease or purchase appropriate site(s) for the relocation of the Depot. The report also released £400,000 Housing Growth Point Funding towards the costs of relocating the depot on the basis that this will expedite the delivery of housing at Central Park.
15. Moreover, to aid cashflow and in the interests of securing an early start to the development, the Council applied for a £1.2million Growing Places Funding loan from TVU for the relocation of the operational depot, which was considered by Cabinet in April 2012, and in more detail at their meeting on 27th July 2012, where Cabinet resolved to underwrite the £1.2million loan from the Growing Places Fund and to use that funding as soon as it has been allocated by TVU for the relocation of the operational aspects of the Depot.
16. In line with these reports, the site at Allington Way has been purchased, which will accommodate the new Fitting Shop. The site is also suitable for the provision of office accommodation up to approximately 70 desk spaces, potentially allowing for the relocation from the Vicarage Road Office Block. In addition, a site in close proximity, at Lingfield Way, which is in Council ownership, can be converted to provide a salt storage facility for winter maintenance, external materials storage and car parking.
17. Whilst it is still operationally possible to operate the depot from a different location to the main depot offices, there are both operational and financial efficiencies in relocating the depot offices at the same time as the wider site, and as such it is now proposed that the depot in its entirety is relocated to the sites at Allington and Lingfield Way. The current proposal is to relocate the depot in its entirety including the offices.
18. The costs associated with the proposals for the Hundens Lane relocation are set out in the table below:

| | |
|------------------------------|---------------|
| Allington Way site purchase: | £670,000 |
| Works to Allington Way | £2.5million |
| Works to Lingfield Way | £1.4million |
| Total | £4.57m |

19. As the proposals now include the relocation of the depot offices from Hundens Lane to Allington Way, the depot office site is surplus to requirements. As such Cabinet delegated authority to Director of Resources for the disposal of this site, in consultation with the Director of Place, to help deliver the Central Park scheme as required by the Joint Venture. It is possible to commence these negotiations within six months.

Financial Implications

20. The revised development proposal as set out above carries financial risks and costs to the Council as set out below:-

- (a) The Council must incur £4.6m of capital expenditure to relocate the Council depot prior to funding being guaranteed. The £4.6m expenditure is planned to be funded as follows :-

| Funding Source | £m's | Status |
|--|------|---|
| Prudential Borrowing funded by revenue savings as a result of moving to new depot | 1.1 | Secured subject to delivering revenue savings |
| Housing Growth Point Funding | 0.4 | Secured |
| Share of proceeds from sale of land Phase 1- to be funded for 3 years by growing places interest free loan | 1.0 | Subject to successful sale |
| Proceeds from future phases | 2.1 | Subject to future developments being delivered and raising sufficient funds |
| Total Funding | 4.6 | |

- (b) The above shows the Council may have a deficit funding on the depot of £3.1m, the risk on the first £1m (the receipt from sale of Central Park North – Residential to Keepmoat) is seen as low as proposals are already in place and Council at its meeting on 19/7/2012 acknowledged the need to underwrite this risk. The further receipts of £2.1m at some future dates must be seen as a medium to high risk in the short term but in the medium to long term it is very likely that house building will take place on Central Park South, generating receipts and therefore the Council needs to acknowledge that they are underwriting this additional potential shortfall in future.
- (c) Central Park is key to delivering the building of new houses. Each new house built delivers the Council approximately £2000 per property per year up to 2020. It is clear that if Central Park is not developed the delivery of the new build would be delayed whilst other sites are released and developed to meet housing demand. It is estimated that such a delay would equate to the Council losing approximately £650,000 of revenue per year in the short to medium term. The Council's existing MTFP assumes that these houses will be built. The figures below assume that the delay in receiving the income as a result of not developing Central Park would be two years. There is a risk that these houses will not be built however this is seen as a low risk in the medium term.

- (d) Based on assumed sale and receipt dates, the significant assumption being that Central Park South are delivered by 2018/19 the estimated impact of the proposal on the Council's revenue budget is set out below compared with the consequences if Central Park South does not create any funds for the Council.

| | Revenue Implications with Successful Central Park South | Revenue Consequences with unsuccessful Central Park South |
|----------------|---|---|
| 2013/14 | 135,000 | 135,000 |
| 2014/15 | 126,000 | 126,000 |
| 2015/16 | 82,000 | 82,000 |
| 2016/17 | 132,000 | 132,000 |
| 2017/18 | (590,000) | 129,000 |
| 2018/19 | (735,000) | (524,000) |
| 2019/20 | (85,000) | (528,000) |
| 2020/21 | (85,000) | 118,000 |
| 2021/22 | (85,000) | 114,000 |
| 2022/23 | (85,000) | 111,000 |
| 10 Year Totals | (1,190,000) | (105,000) |

21. In summary Central Park is key to delivery additional income from the Council however the delivery of the scheme is not without significant financial risk and the need to put upfront investment into the scheme the revenue consequences of this on the current 4 year MTFP is on average of approximately £119,000 per annum and these costs will need to be included in the Council's MTFP should Members agree to progress with the scheme. The long term financial position is somewhat better with potential for revenue surplus although as has been explained there is a low risk that the houses will not get built. The development of Central Park has the added benefit of unlocking further additional revenue from housing and business premises that are not included in the table above. On balance although the proposal has financial risks it is one that officers would recommend.

Legal Implications

22. The Council has sought specific legal advice which was considered by Cabinet in making their resolutions as set out in paragraph 5 of this report.

Corporate Landlord Advice

23. The new site purchased (Allington Way) to house the new depot is an asset to the Council. Investment within the site will enable the relocation of the depot.

Procurement Advice

24. There will be a need for procurement exercises in respect of the Depot relocation. These will be included within the Annual Procurement Plan which will be considered by Cabinet in April 2013.

Equalities Considerations

25. It is considered that the proposals as set out in this report do not impact individuals or groups with protected characteristics.

Consultation

26. Given the nature of this report there have been no public consultation in respect of the proposals.

Conclusion

27. Central Park is a key regeneration project in Darlington. Cabinet considered the options available to the Council and approved a revised delivery mechanism, however to enable the start on site, the Council's depot needs to be relocated which exposes the Council to increased financial risk as a result of the relocation of its depot from Hundens Lane. This report seeks Council approval of the capital spend and ongoing revenue implications associated with this relocation which is necessary to deliver an early commencement of the Central Park development.