

CABINET

14 JULY 2008

**DEMOLITION OF FORMER MUNDELLA COMMUNITY COLLEGE
WYCOMBE ROAD, LEICESTER**

Report of the Interim Corporate Director of Resources

1. Purpose of Report

This report informs Cabinet of urgent action taken by the Corporate Director of Resources in consultation with the Leader, Portfolio Cabinet Member and Chair and Vice Chair of the Overview and Scrutiny Management Board.

2. Summary

The vacant former college buildings have deteriorated and demolition is now required in advance of remarketing of the site following advice received from the Risk Management Section.

The urgent action involves the release of funding for the demolition using Prudential Borrowing monies to be repaid from the capital receipt following completion of the sale.

3. Recommendations

It is recommended that Cabinet note the urgent action taken by the Corporate Director of Resources in consultation with relevant Members to:

Authorise the expenditure of £510,000 for the demolition of the former Mundella Community College buildings using Prudential Borrowing Spend to Save monies to be repaid following completion of the sale of the site.

4. Report

Under Rule 14 of part 4D of the constitution a Corporate Director may after consultation with the appropriate Portfolio Cabinet Member and Chair and Party Spokesperson of the appropriate Scrutiny Committee, take any urgent action, while s/he considers necessary prior to the next meeting of the Cabinet. Any such action shall be reported for information to the next Cabinet meeting.

Following closure of the school several years ago, arrangements have been made for the main site to be remarketed after a previous proposed sale did not proceed.

Part of the site has already been sold to LiftCo for the provision of the new Humberstone Health Centre which opened in January of this year. This necessitated the demolition of the eastern wing of the former college buildings.

Despite regular patrols and other security measures, the remaining vacant buildings have continued to deteriorate following numerous break-ins and acts of vandalism. Following advice received from the Risk Management Section, demolition is required before re-marketing in order to avoid unnecessary delays.

A revised informal Site Development Guidance has been prepared which will accompany the sales particulars. This Guidance envisages a residential development scheme including the relocation of the existing playing field at the South of the site to the Wycombe Road frontage. The relocation of this field necessitates the demolition of the remaining buildings. The necessary statutory consents for the relocation of the field have also been sought.

It is proposed that the cleared site will be remarketed at the appropriate time following completion of the demolition.

Tenders for the demolition works have been sought and it is proposed to proceed with the lowest tender received in the sum of £510,000 including fees. This would be funded using Prudential Borrowing Spend to Save monies to be repaid following completion of the sale of the site.

The capital receipt for the cleared site will be increased since the purchaser will no longer incur these costs as part of their development. The Children and Young People's Services Department has confirmed that provision has been made to cover the interest payments on the monies borrowed.

The local Ward Councillors have also been notified of the proposed demolition of the buildings.

Consultation was undertaken with the Council Leader, the Portfolio Cabinet Member and the Chair and Vice Chair of the Overview and Scrutiny Management Board prior to the action being taken.

5. **FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

5.1. **Financial Implications** – (Nick Booth, Extn. 297460)

The estimated cost of the demolition of the former Mundella school is £510,000. The demolition is anticipated to increase the value of the site by an equivalent amount to the cost of demolition.

The cost of demolition will be funded from prudential borrowing under the spend to save criteria, with the cost to be repaid from the sale of the site which is estimated to be a seven figure sum. It is planned to market the site in September with a sale planned towards the end of the 2009/10 financial year.

The interest cost of borrowing assuming an interest rate of 5% is estimated to be no more than £15,000 in the current financial year, and £25,500 in 2009/10 if the sale isn't completed before the end of that year. This cost will be funded from within the CYPs revenue budget, but will be offset by savings on security of approximately £15,000 which will no longer be required once the building has been demolished.

The demolition of the building would remove the possibility of a potentially large health and safety claim due to the current state of the building.

The proposed prudential borrowing would be within the Council's borrowing limits.

5.2 **Legal Implications** – (John McIvor, Extn. 297035)

The Local Government Act 2003 allows councils to borrow without the consent of central government for prudential borrowing purposes, as long as they remain within their own affordable borrowing limits. Future revenue streams are used as security for loans. A local authority may not borrow money if doing so would result in a breach of;

- (a) the financial limit for the time being determined by or for it under section 3 of the Act, or
- (b) any limit for the time being applicable to it under section 4.

The Council shall determine and keep under review how much money it can afford to borrow. The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken.

The Council is required to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities and also require the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Authority's investment activities.

Guidelines on the use of prudential borrowing by the Council are set out in the Council's Capital Investment Strategy. Any proposals for the use of prudential borrowing will need to be assessed in accordance with the criteria set out in the Strategy.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	NO		
Policy	NO		
Sustainable and Environmental	NO		
Crime and Disorder	NO		
Human Rights Act	NO		
Elderly/People on Low Income	NO		

7. Risk Assessment Matrix

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1. Tender price may increase	L	L	Price includes a contingency sum and full asbestos survey obtained prior to tendering.
2. Unable to secure a purchaser for the site	L	L	Place on the open market / re-market if necessary.
3. Sale receipt does not cover the demolition costs.	L	L	The sale of a cleared site will increase the sale receipt.

8. Background Papers – Local Government Act 1972

None, other than those referred to in the report.

9. Consultations

As identified within the report.

10. Report Author

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Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)