

**CABINET  
2<sup>nd</sup> JUNE 2015**

**SOLICITOR TO THE COUNCIL  
EXEMPT REPORT NO. LEG1511**

## **ACQUISITION OF SITE FOR COUNCIL DEPOT**

### **PURPOSE**

**The purpose of this report is seek authority to purchase the leasehold interest in Plot 5 and Plot 6 Farnborough Industrial Estate to provide a council depot in connection with the waste collection and street cleansing service and to approve the cost of works relating to the layout of the depot .**

### **BACKGROUND**

The Council is currently re procuring its waste, street cleansing and grounds maintenance service using the competitive dialogue procedure and depot provision is required for the waste and street cleansing element of the contract to enable a contractor to be able to deliver these services.

### **CURRENT DEPOT PROVISION**

For a number of years, the Council's waste collection and street cleansing service has operated from a depot in Doman Road, Camberley. The depot is owned by Surrey Heath Borough Council. Despite the Council having occupied a portion of the site for many years, there is little security to the arrangement as Surrey Heath have not granted the council a lease for the site.

In recent years, Surrey Heath has intensified use of their own use of the Doman Road depot and the section of the depot occupied by Rushmoor has become quite tired. Further, the depot does not meet current needs as Rushmoor has requested a vehicle workshop, but Surrey Heath has been unable to provide it for financial reasons. The space allocated to Rushmoor is also small and leaves no room for expansion.

Whilst the Council's position in the Doman Road depot has been uncertain for some years the need to find alternative provision has become more pressing as, Surrey Heath, jointly with four other Surrey authorities, are out to tender for their waste collection and street cleansing contract. This is likely to mean that Rushmoor will lose access to the Doman Road depot altogether, as it is likely to be required by the new contractor for the provision of the joint service. The lack of any formal tenancy on the site leaves the Council vulnerable and it is not possible to predict whether

litigation would result in the council being able to remain in the depot. Such uncertainty over the depot provision may well be unattractive to bidders for our waste and street cleansing contract.

## **THE NEED FOR A SECURE DEPOT**

A large scale depot is essential for the operation of services such as waste collection and cleansing. Grounds maintenance is serviced from existing council owned facilities. They are services that involve a large number of vehicles, plant and equipment and employ a large number of operational staff.

Theoretically, Rushmoor could require any successful contractor in the procurement process to seek their own depot to operate the depot. There are, however, a number of issues with this approach; firstly, there is a shortage of suitable depot space in the local area, making it harder for a contractor to source suitable accommodation. The procurement team tested whether this approach could work with contractors at the Soft Market Testing sessions held in March of this year with a number of suppliers. Suppliers were clear in their view that the Council should provide a depot rather than requiring them to find one in the short mobilisation period before the contract starts. Some felt that not to supply a council depot would hand an automatic advantage to certain contractors that have a large presence in the local area, and that it may even deter some contractors from bidding at all.

In addition to this, the cost of a contractor sourcing and occupying a depot would be charge back to the Council via the contract price. The contractor would also build in additional cost for risk.

Not to provide a depot may also lead to allegations from potential bidders that the council is acting in an anticompetitive manner and increase the risk of possible challenges to the eventual contract award for the waste collection, cleansing and grounds maintenance contract.

The council's consultant Len Attrill from WYG has provided the following comment on the need to secure a council owned depot:-

*"It is clear, both from a recent soft-market-testing with potential contractors and from some recent tenders, that if a depot is not provided then, unless the particular council is located in an area where acquiring a depot is very easy, some organisations will withdraw from the tendering process. In an extreme position, the only bids will come from organisations with a local contracting base (e.g. for commercial waste). The effect of this is that the Council will have less choice; and evidence is that prices then increase through this change in the 'supply' side of the equation. In an extreme situation (which has been seen in a tendering exercise last year for a sizeable contract) only one tender might be received; and a nightmare*

*scenario would be that no tenders are received. To maximise the potential price advantage from the new tender process, a depot should be secured'."*

## **REQUIREMENTS OF A DEPOT SITE**

Operationally the following are required from any depot site:-

- Office accommodation for approximately 10-12 desks, meeting space, toilet and showering facilities, kitchen and internal storage.
- External storage for equipment, bins, sandbags etc.
- Parking for; 16 refuse collection vehicles, 2 road sweepers, 2 compact sweepers, 8 caged vehicles, approximately 35-40 car parking spaces.
- Vehicle wash down
- Fuel tank
- Local to the borough

Operationally it is also desirable to provide a vehicle workshop.

## **THE SITE ON FARNBOROUGH INDUSTRIAL ESTATE**

A depot site can be provided by acquiring the leasehold interests in both Plot 5 and Plot 6 and combining the units to form a new depot. The council already owns the freehold of these two units and thus were the leases to be acquired the council would have a freehold depot as an operational asset for the council.

Both Plots are currently vacant, Plot 6 being the former Whizzy World site and Plot 5 previously having been vacated by the previous tenant. Individually neither of the plots would be of sufficient size.

The combined site of Plot 5 and 6 on the Farnborough Industrial Estate can provide all the required elements for a new depot. The plans attached to this report show two possible layouts for the required facilities on this site. There would however be a need to consider how workshop facilities could be provided in the longer term. The issue of the provision of workshop facilities and the best layout for the depot will be raised as part of the competitive dialogue process with contractors.

The combined site will be accessed off Invincible Road. In the longer term it may be possible to create another access and egress point off the A327 (Elles Road). Initial inquiries have been made of the agent acting for the leasehold of the Magnet unit to see whether this may be feasible as part of developing a strategy for the longer term development of the estate to make it more attractive to new investors.

This site is also ideal as the County disposal facility is located in Elles Road and therefore this location is a sustainable solution reducing road miles travelled by refuse vehicles to the point of disposal.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

The following alternative options have been considered :-

(A) to locate a new depot in an alternative location :-

- **Temporary move to Browning Barracks.** This was not available for the duration of the new contract as it is to be part of the developed area of Wellesley coming forward in a later phase. It therefore could not provide a permanent solution.
- **Occupy a site in the commercial area of the AUE.** There is no provision for this in the planning agreement for the development of Wellesley as it was not considered to pass the necessity test under regulation 123 of the CIL regulations. Planning obligations can only be required where it is necessary to mitigate planning harm. It is possible that the MOD may agree to sell land adjoining the area where the County waste facility is to be provided but site investigations have shown that in addition to the purchase of the brownfield land the costs of levelling the land and providing a retaining structure are likely to be expensive. The estimated costs are likely to be around £4M with a significant part of the expense being caused by the need to import and provide infill to level the site and construct a retaining wall. There would also be difficulties in controlling the timescales for delivery of this option as it would need to come forward at the same time as the county facility which is governed by the build rate at the AUE. It is also likely to need costly highway works. It is therefore not considered a realistic option due to the high cost and the uncertainties over delivery.
- **Area of land near Hawley Lane.** This is close to residential areas and is likely to generate a high level of objection were the council to locate a depot site here
- **Various plots on the Invincible and Eelmoor Road Industrial estates.** All of these are currently occupied and would therefore mean displacing existing leaseholders which could probably only be achieved at high cost both financially and in reputational terms. The former Post Office sorting depot, which is currently empty, would have been suitable but planning permission has been granted for an indoor go kart facility and it is thought that this consent is likely to be implemented.

(B) Not to provide a depot facility

If the council chooses not provide a depot in connection with the waste contract and instead requires the contractor to provide a depot then there could be the following consequences:

1. It could limit the number of bids with only the large refuse companies who have existing depot provision being able to bid. This may be regarded as anti-competitive and increase the risk of challenge. Depending on the location of a bidders depot it is likely to add cost to the bid in terms of transport costs and it is difficult to know the quantum of such costs at this stage.
2. Bidders are likely to price for risk in having to do this. For some contractors to be able to submit a bid would involve the contractor identifying the likely cost of leasing a site and passing on this cost and the cost of laying out a depot onto the council as part of its bid.. It would also leave the council without a depot at the end of the contract. This risk is likely to deter some bidders.

## **PROPERTY IMPLICATIONS**

Unit 6 has an agreed price of £1.3M. This is recommended upon the basis that the Head Tenant would be looking to sublet the premises at a rent of £90,000 per annum which would give a freehold value of £1.3m. There is also currently a large unpaid business rates liability and the acquisition by the council would stop this accumulating further.

Unit 5 is owned by London and Cambridge who have indicated that they will consider whether to sell the site to the council at their board meeting on the 9<sup>th</sup> June subject to agreement being reached on price. An offer has been made of £1.5m subject to cabinet approval. Refurbishment has recently taken place of the unit with L&C spending around £300,000 and an increased offer will be needed to compensate the leaseholder for the cost of this. The 1.5M offer is based on the value of the lost rental income to the Head Lessee.

Both purchase prices are recommended by the Councils professional valuer and are considered to be best value.

Planning permission would be need for the change of use to a depot as this is a sui generis use.

## **LEGAL IMPLICATIONS**

The council has power to acquire land under section 120 of the Local Government Act 1972 either to discharge any of the council's functions or for the benefit, improvement or development of the borough. The acquisition of this land will enable the council to continue to meet its need to provide waste, grounds maintenance and street cleansing within the borough. The council already is the freeholder of Plot 5 and Plot 6 and therefore the leasehold interests will merge with the freehold meaning

that these two sites will be owned outright by the council and be a valuable asset in their own right.

## **FINANCIAL IMPLICATIONS**

The recommendation is that both sites be acquired up to a value of £3M which includes £300,000 compensation for the refurbishment of unit 5. The recommendation also has a provision to allow this figure to be increased by a further amount, in consultation with the cabinet member for Corporate Services and the Leader, should this be necessary.

The rent payable to Surrey Heath for the Dolman Road Depot is paid by our existing waste contractor under the terms of the contract and is £103,000 but this is thought to be below market rent as Surrey Heath have never increased the rent. This cost is reflected back to the Council in the terms of the contract. If the council were to be able to provide a depot for the new contract then the cost of such depot would not form part of the cost of the contract and therefore this should be reflected in the contract price. The amount of cost removed from the contract price, even at this low rent, over a 10 year waste contract would be £1,030,000 or double if the contract is extended for a further 10 years. The council will be dialoguing on the length of this new contract.

The business rate liability, based on what is paid for the county depot in Elles Road, will be around £90,000. The council will recover 40% of this from the government under the business rates scheme.

£1m had previously been identified as needed as a capital bid in the capital programme for capital works to create a new depot. It has not been possible to quantify the cost of the works that will be required as this would involve access for site surveys and the requirement for an early decision on the purchase by the vendor of Unit 6 has meant that this has not been possible. Indicative figures, obtained from Veolia, on the basis of a desktop exercise, assuming no contaminated land, have shown the likely costs to be in the region of £837,000. Added onto this will be the costs of demolition likely to be circa £250k. The total build out cost is therefore likely to be between £1M and 1.2M and this latter figure forms part of the recommendation. The capital spending required to provide the depot for which approval is sought in this report is therefore £4.2M. The loss income from interest on the use of council capital is calculated at the rate of 2.75% being £115,500 per annum.

## **OTHER IMPLICATIONS**

Some staff could be relocated to the new facility and this will be addressed at a later stage in the development of a new depot should the purchase proceed..

## **RECOMMENDATION**

That the Solicitor to the Council be given authority:-

- to purchase plots 5 and 6 at a price of up to £3M
- to apply for planning permission for change of use of the land to a depot facility
- subject to consultation with the cabinet member for Corporate Services and the Leader and to securing best value, to increase the offer for the purchase of the lease of plot 5 above £1.7M
- to take any other related action or enter into any related contracts or agreements to secure the provision of a depot on the site of unit 5 and 6

That the Head of Community and Environmental Services be authorised to:-

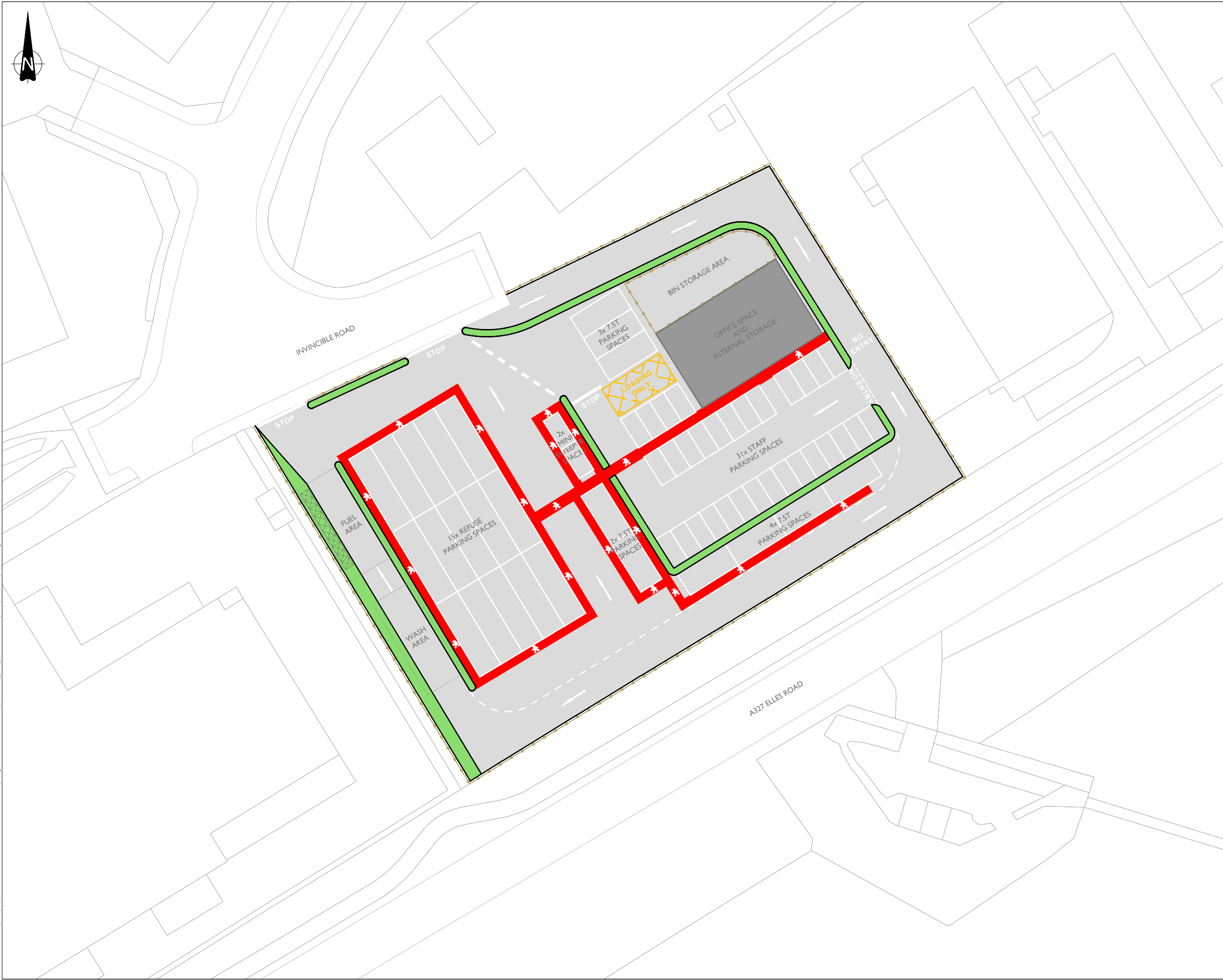
- procure the demolition , construction and site layout works
- apply for the necessary environmental permits: environmental consents

**ANN GREAVES**

**SOLICITOR TO THE COUNCIL**



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**NOTES**

- 1) Do not scale from this drawing.
- 2) All dimensions are shown in metres unless shown otherwise.
- 3) This drawing shows a feasibility proposal and is subject to change.

**DRAFT**

**RUSHMOOR**  
BOROUGH COUNCIL

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Project Title

**PROPOSED RBC  
REFUSE DEPOT**

Drawing Title

**FEASIBILITY PROPOSAL -  
OPTION 1**

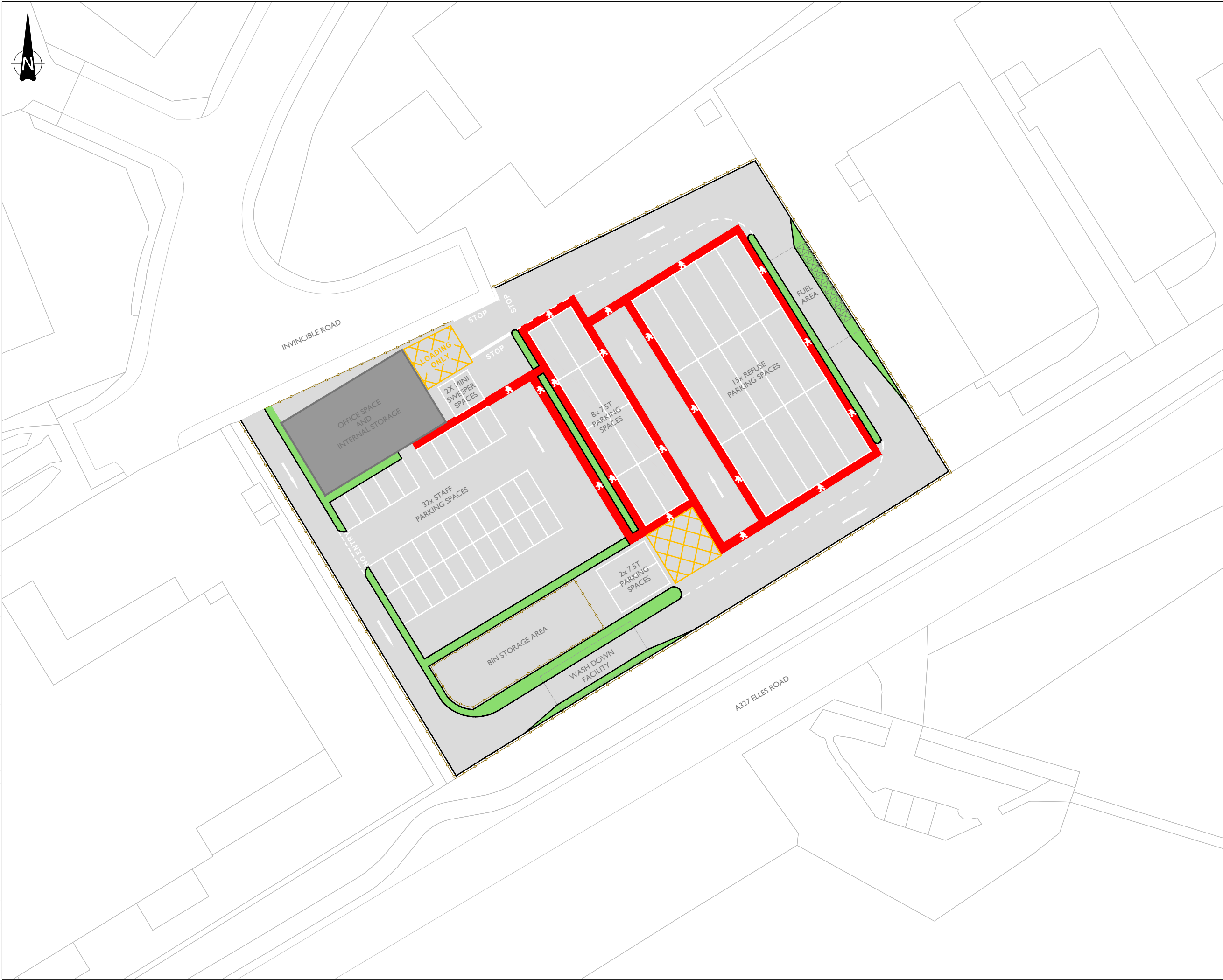
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MAY 15	DW	JT	A3	1:500

Drawing Number: **20.6.27/FEA/OPI**





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# DRAFT

**RUSHMOOR**  
BOROUGH COUNCIL

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Project Title

**PROPOSED RBC  
REFUSE DEPOT**

Drawing Title

**FEASIBILITY PROPOSAL -  
OPTION 2**

Date	Drawn By	Checked By	Paper Size	Drawing Scale
MAY 15	DW	JT	A3	1:500

Drawing Number: **20.6.27/FEA/OP2**