

CABINET
20th October 2015

CHIEF EXECUTIVE'S OFFICE
SOLICITOR TO THE COUNCIL
EXEMPT REPORT NO. LEG1518

ACQUISITION OF SITE FOR COUNCIL DEPOT

PURPOSE

The purpose of this report is seek authority to purchase Canna Business Centre, Lysons Avenue, Ash Vale 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 reprocuring 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. This depot will not remain available to the Council beyond the end of the existing waste contract and therefore a new depot is needed.

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.

The Council is engaged in a competitive dialogue with a number of contractors and following the 2nd June Cabinet decision to authorise the purchase of Plots 5 and 6 on the Farnborough Industrial Estate, contractors have been advised that the

Council will provide a depot for the new contract. The reasons for needing to provide a depot, as agreed by the earlier Cabinet decision, are set out in more detail in that report.

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. Canna Enterprise Centre is of sufficient size to meet all these needs and has room for future further activities which may come forward as part of the dialogue process in procuring the new contract.

THE SITE

A plan of the site is appended. Canna Enterprise Centre is accessed off the BVR and is close to the Borough boundary, though situated in Guildford Borough. The site forms part of the Lysons Avenue / Station Road industrial area and is allocated under the Guildford Local Plan policy E1 for industrial and warehousing use and is safeguarded for this use under policy E3. The site has long been an industrial area and whilst it has no planning permission or certificate of lawful use for B2 use, the fact that it is allocated for such purpose suggests that there should be no issue with its continued use for a B2 industrial use.

The only planning issue is whether a depot use will be regarded as a B2 industrial use within the same use class as the existing uses or whether it will be regarded as a sui generis use by Guildford BC requiring a planning application for its change of use. To settle this issue, it is proposed to make an application for a certificate of proposed lawfulness of the use to GBC, in order to determine this issue before any purchase.

The site has a number of occupiers, some 16 units which are small businesses. We are advised by the agent that none of these lessees are protected business tenants and that there are break clauses within their leases of between 3-6 months which will enable the Council to secure a vacant site to redevelop. The Council will be doing due diligence on this as part of the purchase process.

The Council will offer assistance to these businesses to find alternative premises, in order to be in a position to commence demolition of the buildings on site by May

2016. The Council's economic development officer will undertake this role working in conjunction with GBC. At the moment these businesses are unaware of the owners intention to sell and they will be informed by the owner only when contracts have been exchanged. Whilst it is regrettable that securing this site will involve small businesses in having to relocate, the owner would sell the estate whether or not the buyer was the Council and, given the age and condition of the buildings, it is likely that any new owner would want to do some form of redevelopment which, in any event, is likely to disturb such business uses.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

An extensive search for suitable premises has been conducted for in excess of six months and it is proving difficult to find a suitable site given the constrained nature of the borough and the value of brownfield land. Since the June Cabinet report, the following alternative options have been considered :-

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

- **Occupy a site in the commercial area of the AUE.**

A permanent site at Ordnance Road/ Gallwey Road has been explored and remains a fall-back position for the Council. Such a site would not be available in time for the new contract and would involve having to use a temporary site in MOD ownership with demolition of the existing buildings and the costs of requiring the contractor to move during the contract period. The costs of the move to the contractor and onto the Council would be of the order of £60K. The costs of securing this permanent site are likely to be far more expensive as the land is likely to have a value associated with large warehouse units with high revenue streams as the local infrastructure is suitable for larger lorries to enter the site. There are also unknown land remediation costs with site as it is known to be contaminated. Price could also be influenced by the need to secure a commercial user for the adjoining land and the effect of the depot use upon the value of the remaining land and the size of the land left for a commercial use. Grainger have been advised that the Council may need to consider this option further if the site at Canna Business Centre does not proceed.

- **Plot 5 and 6 Farnborough Industrial Estate.**

Negotiations on the price of Plot 5 and 6 failed as one of the owners required a price that did not represent best value to the Council. The Council withdrew from the purchase.

(B) Not to provide a depot facility

If the Council cannot 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.
3. Having indicated to bidders during the first round of the dialogue process that a depot would be provided, it would not show the Council in a favourable light as a partner should we now decide not to make such provision.

PROPERTY IMPLICATIONS

The Council has been given an exclusivity period of 8 weeks to exchange contracts at an agreed price of £1.3 million plus VAT.

The purchase price is recommended by the Council's professional valuer and is considered to be best value.

Planning permission would be needed for operational development in connection with the workshop, offices and other buildings but it is proposed to apply for this after the purchase has been completed and once the principle of the use of the land as a depot has been established.

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. This will be a freehold purchase.

FINANCIAL IMPLICATIONS

The recommendation is that the purchase proceeds at £1.3 million plus VAT, which has been agreed by the agent as being the price available for the exclusivity period. The recommendation also has a provision to allow a further amount, for necessary costs to secure vacant possession to meet the Council's time scales in providing the depot in this location in time for the commencement of the new contract.

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. With a Council provided depot the cost of providing a depot will 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.

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

£1 million 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 purchase is proceeding upon a confidential basis. 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 £250,000. A further sum of £300,000 will be required to build a workshop. A contingency and the costs of professional fees in connection with the redevelopment bring the estimated total cost of the redevelopment to £1.5 million.

The capital spending required to provide the depot for which approval is sought in this report is therefore £3,050,000. The loss income from interest on the use of Council capital is calculated at the rate of 2.75% being £83,875 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

1. That the Solicitor to the Council be given authority:-
 - to purchase Canna Enterprise Centre at a price of up to £1.3 million plus VAT
 - to apply to Guildford BC for a certificate of proposed lawfulness of use for use of the land as a depot and planning permission for operational development of the depot facility
 - to incur costs to enable the relocation of the business tenants within the time frames necessary to secure demolition by May 2015, up to a total sum of £250,000

- to take any other related action or enter into any related contracts or agreements to secure the provision of a depot on the site in accordance with the competitive dialogue timetable
2. 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
 3. That £1.5 million is authorised and added to the capital programme for the redevelopment costs of the depot.

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