

<u>MEETING</u> FINANCIAL PERFORMANCE AND CONTRACTS COMMITTEE
<u>DATE AND TIME</u> TUESDAY 27TH OCTOBER, 2020 AT 6.00 PM
<u>VENUE</u> VIRTUAL MEETING

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
11.	DEPOT RELOCATION	3 - 14

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Please note that this will be held as a virtual meeting. An audio and video live stream of the meeting can be accessed using the link

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	Financial Performance and Contracts Committee 27 October 2020
Title	Depot Relocation
Report of	Assistant Director, Capital Delivery
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	None
Officer Contact Details	Matthew Waters, Assistant Director Capital Delivery Matthew.waters@barnet.gov.uk

Summary

In 2015, the London Borough of Barnet (LBB) operated its Street Scene and Highways DLO depot from a site at Mill Hill East.

The Mill Hill Depot fell within an area identified for regeneration in the Council's adopted Mill Hill East Area Action Plan (MHEAAP), as agreed in January 2009. In 2010, LBB agreed to form a consortium with private partners to develop the land, known as the Inglis Consortium. As part of the Consortium arrangements and agreements to which the Council was a party LBB had a contractual commitment to relocate the depot by December 2016

The original intention was to relocate the depot facility to Pinkham Way, in another borough. The Council was unable to achieve planning consent for this location and therefore had to identify alternative options that could be delivered within the contractually committed timescales.

Following an options appraisal it was decided to develop a new Depot at Oakleigh Road.

The project has now completed. Therefore, the financial modelling completed at the initial business case stage has been refreshed to take into account the fact that business case assumptions can now be replaced with actual data.

This paper sets out the costs associated with the project and re-evaluates the Net Present Value (NPV) of the actual costs against the options discounted in the original options appraisal.

The Capital costs for relocating the depot from Mill Hill East are £33.400m.
The Capital Receipts generated through the Inglis Consortium total £37.400m

The updated Net Present Value (NPV) for the completed scheme is £1.824m as this also includes relevant revenue impacts over a 25 year period. If the depot had remained on the existing site it would have required significant investment to keep the site operational for a further 25 years, the Council would also have foregone £37.400m of capital receipts if this option was selected. Therefore, the NPV for the delivered scheme compares positively to the NPV for the option to stay at the Mill Hill site which has a negative NPV or net present cost (-£13.070m) due to the need to invest in repairs maintenance and rebuild of the site in order to keep the site operational for a further 25 years.

In addition, when the redevelopment at Mill Hill is finally completed at the end of the decade the relocation of the Depot should have enabled development that will produce c.£2m of additional Council Tax revenue as well as enabling the realisation of a plan to provide 2,174 new homes, ancillary retail, light industrial and office space, as well as jobs for 500 people, an energy centre, a new two-form primary school and health centre as well as almost six hectares of parks and open space.

Officers Recommendations

The Committee is asked to note the content of this Report updating on the relocation of the waste and street scene fleet depot from Mill Hill East to Oakleigh Road.

1 PURPOSE OF REPORT

1.1 In 2015, the London Borough of Barnet (LBB) operated its Street Scene and Highways DLO depot from a site at Mill Hill East. The services which, fully or in part, operated from this site included:

Waste and Recycling

- 53 Refuse collection and support vehicle fleet
- Bulking Facility Building
- Food waste containers
- Bin storage and repair area
- Fuel Station

Winter Gritting Service

- Salt Barn & Grit bin storage area
- 7 Winter maintenance vehicles
- Highways DLO

Vehicle Maintenance Facility

- 5 double bay vehicle service bays
- including 1 MOT Inspection bay
- Tyre store and compressor room

Ancillary accommodation

- Vehicle wash bays.
- Combined Staff and Office Welfare Facilities, Main Reception, Operational staff Mess Rooms, Changing and Toilets facilities
- Open plan offices
- Meeting Rooms
- Security Gatehouse & Parking

Grounds Maintenance

- Staff offices
- Vehicle, equipment and materials storage

Street Cleansing

- Staff offices
- Vehicle and equipment storage

Mayors Car Parking

1.2 The Mill Hill Depot fell within an area identified for regeneration in the Council's adopted Mill Hill East Area Action Plan (MHEAAP), as agreed in January 2009. In 2010, LBB agreed to form a consortium with private partners to develop the land, and joined the Inglis Consortium. As part of the agreement reached with the Consortium, LBB had a contractual commitment to relocate the depot by December 2016. The income generated from relocation was estimated to bring significant gross financial benefits, in capital receipts, totalling £41.5m over a 10-year period (due to income from the Inglis Consortium). The scheme enabled the realisation of a plan to provide 2,174 new homes, ancillary retail, light industrial and office space, as well as jobs for 500 people, an energy centre, a new two-form primary school and health centre as well as almost six hectares of parks and open space.

1.3 In addition to the above, when the redevelopment at Mill Hill is finally completed at the end of the decade the relocation of the Depot should have enabled development that will produce c.£2m of additional Council Tax revenue.

- 1.4 Following the failure to achieve planning consent on the initially chosen site. The site at Mill Hill has now been successfully vacated and development is now taking shape. The associated capital receipts have also been realised. This paper therefore sets out the current position of the project including an assessment of the net financial position following vacation of the Mill Hill site.
- 1.5 A Business Justification Case (BJC) appraised a shortlist of options and recommended the option which presented the greatest value for money for the Council. It also reviewed commercial considerations, affordability and management arrangements to recommend a preferred option. The shortlisted options were:
- Do nothing – the Council’s business case methodology requires that it is considered whether there is an available option to do nothing. In this case the option was not realistic due to the age and condition of the current site and a need for investment to keep the site operational.
 - An option for no relocation – This option would have involved the Council ending its involvement with the Inglis Consortium and remaining on the Mill Hill site. The option would have required investment in repairs and maintenance at the site including a rebuild of the facility.
 - Relocation of the then current operations to Lupa House, Borehamwood (with the bulk transfer facility and salt barn relocating to Bunns Lane)
 - Relocation of the then current operations to Oakleigh Road (known as the old Abbots Depot and Winters sites).
- 1.6 The analysis in the business case indicated that purchase of the Abbots site and a lease of the Winters site was the preferred option.
- 1.7 The option of ending its involvement with the Inglis Consortium was not a realistic one for the Council given the commercial agreements in place and the significant adverse impact that would have followed, given the stated strategic ambition to deliver the Mill Hill East Area Action Plan. Had the option to terminate the Council’s involvement in the Inglis Consortium been taken forward at the time, the council would have foregone the associated £37.400m of capital receipts. The Council having elected to remain in the Consortium was obligated to relocate from the depot. In addition the Council would have also needed to invest significantly in the existing facility if it had opted to depart from the Consortium. Due to the age and condition of the existing facility at Mill Hill, any long-term use of the site would have required significant investment and ultimately a full a demolition and rebuild at cost to the Council.
- 1.8 Further to the above, if the Council had failed to have vacated the Mill Hill East site by December 2016, the Council would have incurred significant financial penalties.
- 1.9 Now that the project has completed, the financial modelling completed at the initial BJC stage has been refreshed, to take into account the fact that business case assumptions can now be replaced with actual data.
- 1.10 Delivery of the depot relocation plan has differed to the case set out in the BJC as additional services were brought into the scope of the relocation. This exceeded the capacity of the site at Oakleigh Road resulting in the various operations split across two separate depots – Oakleigh Road and Harrow Depot (which is further split in to two different sites – one at Forward Drive and the other at Christchurch Avenue).

1.11 Table 1, 3 and 4 below describe the 2019 service arrangement as this relates to the BJC. Tables 3 and 4 highlight that a number of services (Passenger Transport Services, Mayor's Car, Greenspaces Service Operations and Barnet Community Transport) and associated costs, that were run from Mill Hill Depot, were not assumed to move to the Oakleigh Road Depot in 2015, due to various other planned accommodations. Explanations against each and the rationale for their 2019 site location are described below. Since there has been a recent need for significant reinstatement works at the at the Oakleigh Road site, the majority of the operations are currently utilising a nearby parcel of land in Oakleigh Road that is owned by Network Rail.

Table 1: Summary of Mill Hill sites and services in 2015 BJC versus 2019

Service	February 2015: pre-BJC	March 2015: BJC preferred option	2019 Arrangement	Comment
Vehicle Maintenance Facility	Mill Hill East Depot	Oakleigh Road	Oakleigh Road	The 2015 assumption was for the salt barn to be located at the main depot site (Oakleigh Road). Post BJC it was decided to locate the Winter Gritting Service at Harrow and utilise the previously allocated space at Oakleigh Road for additional parking and storage.
Combined Staff and Office Welfare Facilities				
Grounds Maintenance				
Waste & Recycling – Bulking Facility				
Main Storage – primarily Waste & Recycling, and some Greenspaces Storage		Oakleigh Road & Harrow Depots		
Street Cleansing				
Winter Gritting Service incl Salt Barn		Bunns Lane (Satellite Site)	Harrow Depot	
Highways DLO	Forward Drive, Harrow Depot		The Highways function could not be accommodated in Oakleigh Road and was therefore moved to Harrow along with the Winter Gritting Service.	
Passenger Transport Service	Mill Hill East Depot	Various Council-owned sites around the Borough including schools that the service support	NLBP	The 2015 assumption was that the majority of the fleet would be able to park in the schools and other facilities they serve. Post BJC it was confirmed that the service would be able to operate more efficiently from a single location, therefore, parking spaces and office accommodation was leased at North London Business Park.

1.12 Services out of scope of the original BJC, and their current site locations are listed below.

Table 2 - Summary of sites and services not in scope of 2015 BJC

Service	February 2015: pre-BJC	March 2015: BJC preferred	2019 Arrangement	Comment
Mayor's Car	Mill Hill East Depot	NLBP (Existing Spaces)	Middlesex University	Following the BJC it was decided that the Mayor's car would be best housed in a location within close proximity to the Town Hall.
Greenspaces Storage	Mill Hill East Depot	Bunns Lane (Satellite Site)	Contained as part of rebuild of Oakhill Park and Copthall Depots	The existing depot at Mill Hill partially housed storage for the greenspaces service. The remaining requirement for the service storage remained spread across other sites in the borough. Following a review, it was identified that the requirement could be met in its totality by rebuilding the existing depots at Copthall and Oakhill Park so that the spaces could be utilised more efficiently. An added benefit of this option was that legacy building condition issues were also dealt with at the same time.
Barnet Community Transport	Mill Hill East Depot	Mill Hill East Depot	Edgware Community Hospital	The service was previously housed at Mill Hill Depot and the original plan was for the service to source their own accommodation on termination of the agreement at Mill Hill. Following the BJC it was decided that the council would find and fund alternative accommodation for the service until December 2019 due to the community benefit provided.

1.13 As described above, there are also a number of related Greenspaces services based in Copthall, Oakhill Park and Tudor Park. Greenspaces services based historically at Mill Hill were relocated to these sites in 2015.

Table 3 - Summary of services at Copthall, Oakhill Park and Tudor Park (not in scope of 2015 BJC)

Service	March 2015 and current location	2019 Arrangement	Comment
Greenspaces Service Operations	Copthall	Rebuilt for efficient storage	The Mill Hill depot partially housed storage for the greenspaces service. The remaining requirement for the service storage remained spread across other sites in the borough. Following a review, it was identified that the requirement could be met in its totality by rebuilding the existing depots at Copthall and Oakhill Park so that the spaces could be utilised more efficiently. At the same time, this dealt with legacy building condition issues at the sites.

2 REASONS FOR RECOMMENDATIONS

2.1 This report provides an overview of the costs relating to the relocation of the Waste and Streetscene depot from Mill Hill East to Oakleigh Road. The site at Mill Hill has now been successfully vacated and capital receipts have been realised. This paper therefore sets out the current position of the project including an assessment of the net financial position following vacation of the Mill Hill site.

2.2 The Committee is asked to note the contents of the report in the light of the updated information contained in the same.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 The original options appraisal considered the following shortlisted options

- Do nothing – the Council’s business case methodology requires that it is considered whether there is an available option to do nothing. In this case the option was not realistic due to the age and condition of the current site and a need for investment to keep the site operational.
- An option for no relocation – This option would have involved the Council ending its involvement with the Inglis Consortium and remaining on the Mill Hill site. The option would have required investment in repairs and maintenance at the site including a rebuild of the facility.
- Relocation of the then current operations to Lupa House, Borehamwood (with the bulk transfer facility and salt barn relocating to Bunns Lane)
- Relocation of the then current operations to Oakleigh Road (known as the old Abbots Depot and Winters sites).

3.2 The analysis in the business case indicated that purchase of the Abbots site and a lease of the Winters site was the preferred option.

3.3 The option of ending its involvement with the Inglis Consortium was not a realistic one for the Council given the commercial agreements in place and the significant adverse impact that would have followed, given the stated strategic ambition to deliver the Mill Hill East Area Action Plan. Had the option to terminate the Council’s involvement in the Inglis Consortium been taken forward at the time, the council would have foregone the associated £37.400m of capital receipts. The Council having elected to remain in the Consortium was obligated to relocate from the depot. In addition the Council would have also needed to invest significantly in the existing facility if it had opted to depart from the Consortium. Due to the age and condition of the existing facility at Mill Hill, any long-term use of the site would have required significant investment and ultimately a full a demolition and rebuild at cost to the Council.

4 POST DECISION IMPLEMENTATION

4.1 None.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Robust budget, performance and risk monitoring are essential to ensure that there are adequate and appropriately directed resources to support delivery and achievement of corporate and committee priorities as set out in the Corporate Plan (Barnet 2024) and Annual Delivery Plans.

5.1.2 Relevant council strategies and policies include the following:

- Medium Term Financial Strategy
- Corporate Plan (Barnet 2024)
- Performance and Risk Management Frameworks.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 Table 4 below summarises the high-level breakdown of the cost based on 2019 actuals.

5.2.2 It should be noted that the 2015 BJC was based on a number of assumptions around services which would be re-located (Mayor's Car, Greenspaces Service Operations) or would no longer be required to be housed (Barnet Community Transport) – these assumptions changed post business case. Also, there have been significant changes to Street Scene services resulting in cost pressures. Therefore, this refresh is not directly comparable to the 2015 BJC.

5.2.3 The actual capital costs are at c.£33.4m. The breakdown of these costs can be seen in Table 4.

Table 4: Capital costs from 2014/15 to 2018/19

Category of income/ cost	2019 actual
Total capital receipts from sale of Mill Hill site:	-£37,400,000
Total one-off capital costs	£16,742,517
○ Build costs - Oakleigh	£10,848,132
○ Build costs – Grounds Maintenance + Street Cleansing	£3,419,631
○ On-costs	£933,869
○ Fees	£1,540,884
Non-works costs	£1,706,123
○ Project costs	£779,474
○ Physical move	£200,000
○ Winters - lease reassignment	£700,000
○ Other - abortive project costs	£26,649
Total land purchase costs	£14,925,000
○ Land purchase	£14,925,000
Total capital costs	£33,373,640

5.2.4 The table below shows the revenue costs, with further detail at Appendix B.

Table 5: Revenue cost from 2014/15 over 25 years

Category of income/ cost	Total (over 25 year period)
Total Revenue cost	2,271,840
Rent – Winters	2,037,500
Street Scene estates running costs	234,340

5.2.5 The revenue impact of associated growth through the redevelopment of the Mill Hill site has not been included within the modelling. It is expected that the project has enabled development that will produce c.£2m of additional Council Tax revenue.

5.2.6 The updated Net Present Value (NPV) for the completed scheme is £1.824m as this also includes relevant revenue impacts over a 25 year period. If the depot had remained on the existing site it would have required significant investment to keep the site operational for a further 25 years, the Council would also have foregone £37.400m of capital receipts if this option was selected. Therefore, the NPV for the delivered scheme compares positively to the NPV for the option to stay at the Mill Hill site which as a negative NPV or net present cost (-£13.070m) due to the need to invest in repairs maintenance and rebuild of the site in order to keep the site operational for a further 25 years.

5.2.7 It is acknowledged that running the service utilising leased accommodation and at multiple locations carry revenue costs. There are emerging opportunities that the Council is exploring that can improve the position in this respect.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. As set out in the council’s Contract Procedure Rules, commissioners should use the Procurement Toolkit, which includes Social Value guidance. The Contract Management Toolkit should also be used to help ensure that contracts deliver the expected services to the expected quality for the agreed cost. Requirements for a contractor to deliver activities in line with Social Value will be monitored through the contract management process.

5.4 Legal and Constitutional References

5.4.1 Section 151 of the Local Government Act 1972 states that: “without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities to take actions which are calculated to facilitate, or are conducive or incidental to, the discharge of any of their functions.

5.4.2 The council’s Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts

Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults and Safeguarding Committee; Children, Education and Safeguarding Committee; Community Leadership and Libraries Committee; Environment Committee; and Housing and Growth Committee.
- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy and Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy and Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

5.4.3 The council's Financial Regulations can be found at:

<https://barnet.moderngov.co.uk/documents/s47388/17FinancialRegulations.doc.pdf>

5.5 Risk Management

5.5.1 Throughout the life of each project, emerging risks are recorded and managed in line with the Council's risk management methodology and project management methodology.

5.6 Equalities and Diversity

5.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

5.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation; marriage and civil partnership.

5.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

5.6.4 This is set out in the council's Equalities Policy, which can be found on the website at: <https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity>

5.6.5 The Council has had regard to the Equalities Act 2010 and has taken account of any relevant matters in the making of its decisions in respect of the relocation and options presented for the Depot.

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

5.8 Consultation and Engagement

5.8.1 Obtaining customer feedback is part of the contract management process to inform service delivery, service development and service improvement.

5.9 Insight

5.9.1 None

6 BACKGROUND PAPERS

6.1 None

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