

	<p style="text-align: center;"><b>ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER</b></p> <p style="text-align: center;"><b>5 May 2015</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Confirmation of final terms for purchase of Abbots Depot and assignment of Winters Lease</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Chief Operating Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>Mill Hill East and Oakleigh</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public (with separate exempt report)</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>John Hooton – Chief Operating Officer John.Hooton@Barnet.gov.uk Tel: 020 8359 2460</p>

## Summary

London Borough of Barnet (LBB) currently operates a waste and recycling depot at Mill Hill East. The depot falls within the area identified for regeneration in the Council's adopted Mill Hill East Area Action Plan (MHEAAP)<sup>1</sup>, as agreed in January 2009. In 2010, LBB agreed to form a consortium with private partners to develop the land, forming the Inglis Consortium. As part of this agreement, LBB has a contractual commitment to relocate the depot by December 2016, which will bring significant financial benefits, estimated at £41.5m over the next 10 years.

A business case has been developed, reviewing the short-listed sites from the options appraisal stage. The business case has appraised the options and recommended the option that presents the greatest value for money for the Council. It has also reviewed commercial considerations, affordability and management arrangements to recommend a preferred option. The preferred scheme is now moving forward to the next stage of the process i.e. planning permission, land acquisition, and Stage 3 design.

Detailed site searches have been developed since 2011, and in 2014 an evaluation process was run to

<sup>1</sup> <https://www.barnet.gov.uk/citizen-home/planning-conservation-and-building-control/planning-policies-and-further-information/mill-hill-east-aap/mill-hill-east-area-action-plan.html>

shortlist the available sites. The two sites which were shortlisted are:

- Relocation of current operations to Lupa House, Borehamwood (with the bulk transfer facility and salt barn relocating to Bunns Lane);
- Relocation of current operations to the old Abbots Depot in Oakleigh Road South, Barnet;
- An option for No relocation, and extraction from the Inglis Consortium will be considered;
- Do Nothing will also be reviewed.

Following the Council decision on 14 April 2015 (as referred by the Assets, Regeneration and Growth committee on 16 March 2015), officers included Winters lease within the preferred option. This analysis in the business case indicates that the Abbots site with a lease of the Winters site is still the preferred option, with a Net Present Value (NPV) per benefit point<sup>2</sup>, of £7,208 per benefit point to -£2,190 per benefit point (a Net Present Cost or NPC) for Lupa House.

Do Nothing is not an option for the Council as continuing operations of the depot from the current site is not possible. The Council entered into a Limited Liability Partnership and Co-operation Agreement with private developers to develop the Mill Hill East area for residential use, the 'Inglis Consortium'. It is bound under this agreement to vacate the Mill Hill Depot site by December 2016. The Council also chose not to take up the option to 'carve out'<sup>3</sup> part of the existing depot land in June 2013.

We have considered a further option of not relocating from the depot site at all. This would mean terminating a contractual agreement with a number of partners, failure to regenerate the Mill Hill East area (and benefit from the associated income), failure to meet LBB's strategic regeneration aims in that area, lead to significant reputational damage and open the Council up to a high degree of financial and commercial risk. The loss of income from the Mill Hill site would amount to a total NPC of £35.7m over 11 years, which does not include the additional costs of exit from LBB's contractual agreements.

The Lupa House site is out-of-borough, requiring another facility to be acquired for the salt barn and bulking station, which results in the option being too large for the Council's needs. Furthermore, the only commercial option open to the Council at this point is a lease arrangement. Timescales however are a positive factor for this site, with the build being simpler than for Abbots (it is an existing industrial site which would require modification rather than a complete new build) and therefore LBB could be more likely to meet the December 2016 vacation date. The total gross capital costs of this option are £10.6m, with recurrent costs of £1.7m per annum.

The Abbots Depot and adjacent Winters site is in-borough, meets the space requirement and has the added benefit of reducing net traffic flow to an acceptable level for local residents. The Abbots Depot site is a freehold option; however, the construction is more complex, with a new build required. The timescales therefore are ambitious. The site is also a potential Crossrail 2 site, which may necessitate LBB compressing the size of the site in five years' time when the lease of the

---

<sup>2</sup> The outputs from the qualitative analysis result in a total weighted score for the total non-financial benefits. Quantitative analyses are then used to derive a Net Present Value (NPV) taking into account the net savings of the estate to meet the need, over the life of the estate. The total NPV divided by the total weighted non-financial benefit score for each option derives an NPV per benefit point. The option which appears to offer the highest value per benefit point will be considered the preferred option. Note that a negative NPV (i.e. a net cost) is a Net Present Cost (NPC). The options considered have been appraised over 25 years with costs / savings discounted over those periods at 3.5% (Year 1 being 2015/16) as per HM Treasury Guidance.

<sup>3</sup> In the contract, LBB reserved the option to carve out and exclude from the development part of the depot site (Frith lane site), the 'carve-out land'; LBB in 2013 elected not to exercise this right.

Winter's site ends in December 2020 and a total re-location any time after 2025, although the Council will be compensated for the loss of the Abbotts Depot (allowing an alternative site to be acquired and a new depot constructed). The total gross capital costs of this option are £24.7m, with additional recurrent costs of £0.08m per annum for the first 5 years (which will be contained within existing budgets). It should be noted that the business case has also considered additional requirements for GreenStreets services which are estimated to cost in the region of £4.2m, however this hasn't fully been scoped and therefore any additions to the capital programme in relation to this will be separately requested when the project has further developed.

Partnership within the Inglis consortium is due to bring significant financial benefits (currently projected to be £41.5m, subject to market conditions) by enabling implementation of the Mill Hill East Area Action Plan. However this is contingent on relocating the depot from its current site.

It is proposed that the Abbotts depot option would be funded through capital receipts from the Mill Hill regeneration programme. LBB has existing budget of £20m which will fund the purchase of the sites and the construction. Following planning permission and stage 4 of the depot design being developed, any additional funding required for construction will be sought.

A Programme Board and Sponsoring Board are in place to manage the depot relocation programme, both reporting to LBB's Strategic Commissioning Board, which is accountable for the change. A programme plan has been developed, project teams mobilised and costs and risks and issues are being reviewed on a regular basis.

In conclusion, both site options will bring significant benefits to the Council in terms of vacating the Mill Hill area for regeneration in line with strategic plans, bringing in significant financial benefits between 2013 and 2024 and providing new fit-for-purpose depot operations. Although both site options meet the Council's quality criteria, on current information, the analysis in this business case shows that the Abbotts Depot and Winters site presents the greatest value for money, over the long term.

## Decisions

- 1. Confirmation of final terms for purchase of Abbotts Depot and assignment of Winters lease.**

### 1. WHY THIS REPORT IS NEEDED

- 1.1 Full Council on 14 April 2015, approved the purchase by way of assignment of the Waste Operation lease, and delegated the finalisation of terms to the Chief Operating Officer, in consultation with the Chairman of the Assets, Regeneration and Growth Committee. This report is confirming the finalisation of those terms.

- 1.2 Full Council on 16 December 2014, approved either the purchase of the freehold or a lease agreement with an option to purchase for Abbots Depot, Oakleigh Road South, and delegated the finalisation of terms to the Chief Operating Officer, in consultation with Deputy Leader of the Council (as the Chairman of the Assets, Regeneration and Growth Committee). This report is confirming the finalisation of those terms.

## **2. REASONS FOR DECISIONS**

- 2.1 As described above, the analysis in the business case, still shows that the Abbots site with the inclusion of the Winters site is the preferred option.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 3.1 Options were appraised alongside a Do Nothing (take no action) and Do not Relocate (stay at Mill Hill) option.
- 3.2 Do Nothing is not an option for the Council as it is part of a Limited Liability Partnership and Co-operation Agreement with private developers to develop the Mill Hill East area for residential use, the 'Inglis Consortium'. It is bound under this agreement to vacate the Mill Hill Depot site by December 2016.
- 3.3 We have considered a further option of not relocating from the depot site at all, which was rejected as this would mean terminating a contractual agreement with a number of partners, failure to regenerate the Mill Hill East area (and benefit from the associated income), failure to meet LBB's strategic regeneration aims in that area, lead to significant reputational damage and open the Council up to a high degree of financial and commercial risk.
- 3.4 In terms of site options, the Abbots site was higher scoring than the Lupa House site, however due to the tight timescales around the programme, it is recommended that a number of site options would be developed to full planning permission, so the Lupa House site will also be moved forward as a scheme.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The next step is for a lease of the Winters site to be purchased (subject to landlord's consent to assign), and for the Abbots site to be purchased (subject to planning).

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 This programme supports the Council's priorities to:
- Promote responsible growth, development and success across the borough.
  - Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 Capital investment required to be funded through this programme is £24.7m. It is proposed that the Abbots depot option would be funded through capital receipts. LBB has an approved budget of £20m within the capital programme which funds the purchase of the sites and the construction. Following planning permission and when there is further certainty of construction costs, a request for additional budget will be made, if required.
- 5.2.2 The cost of the freehold for Abbots Depot and the premium for the lease for Winters site is contained within the exempt appendix. The cost of these sites is contained within the total capital investment of £24.7m.
- 5.2.3 Recurrent incremental running costs will amount to £0.08m per annum (for Winters rent); these will be contained within existing budgets.
- 5.2.4 In addition to the cost of purchasing the land and construction costs of the depot, some initial work has been carried out to estimate the cost of GreenStreets service requirements. Early specifications show that this will be in the region of £4.2m and for the purpose of calculating the NPV, this has been included. However at this stage, no funding is being requested until the project develops further and there is more certainty around the requirements.

## **5.3 Legal and Constitutional References**

- 5.3.1 Section 120 of the Local Government Act 1972 enables a Council to acquire land by agreement for the purpose of any of their functions or for the benefit, improvement or development of their area. The Council also has a power of general competence under Section 1 of the Localism Act 2011. The recommendations in this report fall within the Council's power of general competence and the power under section 120 of the Local Government Act 1972.
- 5.3.2 Council Constitution – Responsibility for Functions- Annex A sets out the terms of reference for the Assets Regeneration and Growth Committee including “Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed by the Council.”
- 5.3.3 The Council, which approved the purchase of the Winters lease in its meeting on 14 April 2015, has powers under the Constitution to delegate the finalisation of terms to the Chief Operating Officer, in consultation with the Deputy Leader of the Council.

## **5.4 Risk Management**

- 5.4.1 Given that the location of the depot on either site would be subject to planning permission, this report recommends that the Council finalises negotiations on the purchase of both sites. Either site would be a valuable holding either for re-let or for possible alternative use (such as housing), and therefore it would make sense financially and to mitigate any risks arising through the planning process to continue to progress the Lupa House option in tandem with Abbots Depot.

## **5.5 Equalities and Diversity**

- 5.5.1 There are no equalities and diversity considerations specific to the recommendations in this report.

## **5.6 Consultation and Engagement**

- 5.6.1 The Council has a communications and engagement plan in place, which will consult with residents, partners external to LBB (e.g. local businesses) and staff until April 2015.

## **6. BACKGROUND PAPERS**

### **6.1.1 08/09/14 Assets, Regeneration and Growth Committee**

The Committee considered reference from the Performance & Contract Management Committee as follows: "That slippage on the Depot Relocation Programme from Mill Hill East to Pinkham Way be drawn to the attention of the Assets, Regeneration and Growth Committee." Councillor Cooke outlined that the Performance & Contract Management Committee had been concerned that the slippage of the Depot Relocation Programme might result in financial and contractual issues with the Council's development partners at the Mill Hill East site. RESOLVED that a report be added to the work programme for the 15 December 2014 meeting on the Depot Relocation Programme, to include details of the financial and planning implications of a delay in the Programme and details of alternative options.

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MID=7885>

### **6.1.2 12/11/14 Assets, Regeneration and Growth Committee**

That having received the requisite number of support for referral, the item will be placed on the agenda for consideration by Full Council.

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MID=8144>

### **6.1.3 15/12/14 Assets, Regeneration and Growth Committee**

The Assets, Regeneration and Growth Committee was asked to:

- approve the freehold purchase of Lupa House, Borehamwood, and delegate the finalisation of terms to the Chief Operating Officer, in consultation with the Deputy Leader of the Council.
- approve either the purchase of the freehold or a lease agreement with an option to purchase for Abbots Depot, Oakleigh Road South, and delegate the finalisation of terms to the Chief Operating Officer, in consultation with the Deputy Leader of the Council.

The paper was referred to full council by ARG and was agreed on 16 December 2014.

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=7816&Ver=4>

### **6.1.4 16/03/15 Assets, Regeneration and Growth Committee**

The Assets, Regeneration and Growth Committee was asked to:

- Note progress on the depot relocation project; and
- Approve the purchase by way of an assignment of the Waste Operation lease, and delegate the finalisation of terms to the Chief Operating Officer, in consultation

with the Chairman of the Assets, Regeneration and Growth Committee.  
The paper was referred to full council by ARG and was agreed on 14 April 2015.

<http://barnet.moderngov.co.uk/documents/s21997/Depot%20Relocation%20Report.pdf>

## **7. DECISION TAKER'S STATEMENT**

- 7.1 *I have the required powers to make the decision documented in this report. I am responsible for the report's content and am satisfied that all relevant advice has been sought in the preparation of this report and that it is compliant with the decision making framework of the organisation which includes Constitution, Scheme of Delegation, Budget and Policy Framework and Legal issues including Equalities obligations.*

## **8. OFFICER'S DECISION**

**I authorise the following action**

- 8.1 The purchase of the freehold of Abbots Depot on the terms set out in this report and the lease of the Winters' site on the terms set out in the exempt appendix to this report.

**Signed**                      Chief Operating Officer

**Date**                        05 May 2015

---