

HIGHWAYS DEPOTS – OCCUPATIONAL ARRANGEMENTS

To: Assets & Infrastructure Committee

Meeting Date: 11th November 2016

From: Deputy Chief Executive, Chris Malyon

Electoral division(s): March North, Ely South and West, Huntingdon and Duxford

Forward Plan ref: N/a **Key decision:** No

Purpose: Leasehold disposal at less than best consideration of four Highways depots located at March, Witchford, Huntingdon and Whittlesford

Recommendation: To permit the Head of Strategic Assets to formalise the occupation of the four Highways depots located at March, Witchford, Huntingdon and Whittlesford at less than best consideration.

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1. BACKGROUND

- 1.1 The County Council Highways Service is currently tendering for a contractor to provide a county-wide highway maintenance service via the Official Journal of the European Union (OJEU) competitive dialogue process. The current contract is with Skanska which is due to terminate on 30 June 2017. The new contract will be awarded, initially for a ten year period, with the option to extend for a further five years. The County Council is currently in competitive dialogue with two potential providers: Skanska and Kier.
- 1.2 The new highway contract is worth £900 million over the fifteen year life, comprising both revenue and capital works. The County's Highways Service expects the new provider to save £3 million over the first two years; £800k revenue in year one followed by £2.2 million by the end of year two. The £2.2million will be a mixture of revenue and capital. From year three onwards it is expected that there will be efficiencies made year on year.
- 1.3 The new contract will be a step change from the traditional client-contractor set up that currently exists towards a more partnership based approach. Benefits of the partnership approach include significant integration of the County Council Highway Service with the partner, reducing duplication and double handling, increasing efficiency and the ability to deliver on the ground. A robust set of terms and conditions will be in place to manage and monitor performance to ensure that the contract is delivering value for money year on year. In order to drive value for money from day one there is a requirement for the new partner to integrate seamlessly into the depot environment, working with County Council Highways staff on a day to day basis. Such an arrangement creates a one-team approach through shared management and efficient use of time and resource.
- 1.4 Subject to receiving acceptable tenders from the two bidders, a report will go before Highways & Community Infrastructure committee on 14 February 2017 seeking approval to award the new contract to the successful bidder. Mobilisation of the contract will commence 1 March 2017 and run for a four month period.

2. MAIN ISSUES

- 2.1 Through the competitive dialogue process, both potential contractors have indicated that they would wish to operate from the four existing highways depots located at March (1.975 hectares/4.88 acres), Whittlesford (0.751 hectares/1.85 acres), Witchford (1.094 hectares/2.7 acres) and Huntingdon (1.59 hectares/3.928 acres). The four depot sites will also be occupied by existing County Council's Highways staff.
- 2.2 In order to protect the County Council, the occupation of these sites by an independent third party provider for the duration of the contract needs to be formally documented.
- 2.3 If the County Council obtains best consideration, i.e. charges a Market Rent, for the leasehold interests in these sites, the contractor will recharge the rental cost via their tender bid price back to the County Council and therefore the rent will become circular monies. The contractor may also add a management fee to cover the cost of dealing with any property issues which again may be recharged via the contract.
- 2.4 To meet the requirements of s.123 of the Local Government Act 1972, the Council's core policy is that disposals should be at 'best consideration' unless authorised by Members.

Disposals are defined as the transfer of a legal interest in land (which could be a freehold sale, grant of a lease, release of restrictive covenant), other than the grant of a lease of less than 7 years in duration which are exempt from the requirements of s.123.

2.5 The County Council's Constitution now provides that the authority for all property transactions rests with the General Purposes Committee, but there is an agreed delegation to the Director of Finance (*s151 Officer*) to exercise that authority for transactions where the capital value is less than £500,000, or the revenue value is less than £150,000

2.6 Disposals at less than best consideration have not generally been delegated to officers, but there have been a number of different delegations provided for over the years to cater for special circumstances. The current agreed delegation is as follows:-

Authorisation of disposals of property assets by occupational agreements of less than 7 years to community-based users on School and other County Council sites at less than best consideration shall be delegated to the Director of Finance, where the annual market rental value of the site is less than £20,000.

2.7 As the contract will be let for a 10 to 15 year period, this means that any occupational arrangement will be longer than the 7 year term which the Director of Finance has delegated authority to authorise and collectively the rental value is over the £150,000 limit.

2.8 Market Rents for the four depot sites, based on recent comparable data, would suggest that the depots should achieve between at rate of £0.20 to £0.50 per sq ft for open storage land and £5 to £8/sq ft for industrial type buildings and higher for office accommodation, depending on location, standard of accommodation and construction. The comparable data indicates a pro-rata rate of between £14k to £47k/acre for buildings and land.

2.9 In order to simplify matters, it is proposed that the County Council documents the occupation of these sites via licences, at less than best consideration i.e. at a peppercorn rent. Furthermore it is proposed that the County Council retains all responsibility for maintenance and running costs therefore the contractor will incur no cost for their occupation of the depots and should reflect this in their formal tender submissions. Member approval for this proposal is required before the County Council can formally confirm the property arrangements to both contractors.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 The finance implications are contained within the main body of the report.

4.2

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Officer: Sarah Heywood
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Report sent 2 November 2016 Yes or No Name of Legal Officer:
Are there any Equality and Diversity implications?	Report sent 2 November 2016 Yes or No Name of Officer:
Have any engagement and communication implications been cleared by Communications?	Report sent 2 November 2016 Yes or No Name of Officer:
Are there any Localism and Local Member involvement issues?	Report sent 2 November 2016 Yes or No Name of Officer:
Have any Public Health implications been cleared by Public Health?	Report sent 2 November 2016 Yes or No Name of Officer: Tess Campbell

SOURCE DOCUMENTS GUIDANCE

Source Documents	Location
Highway Service Contract 2017 – Highways Transformation Board papers and associated background documents	\\ccc.cambridgeshire.gov.uk\data\Et Shared\HSC Board