

**PROPOSED ACQUISITION OF A NEW HIGHWAYS OFFICE AND GRANT OF AN  
OCCUPATIONAL AGREEMENT**

*To:* **Assets & Investment Committee**

*Meeting Date:* **16<sup>th</sup> December 2016**

*From:* **Deputy Chief Executive, Chris Malyon**

*Electoral division(s):* **Huntingdon**

*Forward Plan ref:* **2016/030**      *Key decision:* **Yes**

*Purpose:* **Acquisition of a new office building as a Highways headquarters and leasehold disposal of part at less than best consideration.**

*Recommendation:* **To authorise the acquisition of a new office building in Huntingdon on terms and conditions to be agreed by the Chief Finance Officer, and to formalise the occupation of part of the building by the new Highways Contractor 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 £60m per year comprising of 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.
- 1.5 The Council is currently charged through the existing contract for both the Council's staff and those of Skanska that occupy accommodation at Girton.

## **2. MAIN ISSUES**

- 2.1 Through the competitive dialogue process, both potential contractors stated that they would be willing to lease a new office base located in Huntingdon, due to its central location and good transport links with the A14 and A1(M), which will accommodate 120 contractor and County Highways staff. Both contractors stated that the County Council would be recharged for this accommodation through the service contract.
- 2.2 Strategic Assets has advised against this option as it would be likely that the County Council would be liable for all overheads associated with the accommodation (rental, service charge costs, management/admin costs and dilapidation costs) but these would not be readily identifiable and nor would the County Council be able to actively manage the control of those costs via this model.

- 2.3 The County Council's Highways Service has consulted with representatives of both Making Assets Count (MAC) and the County Council's Transformation Team. MAC and the Transformation Team have confirmed that there is no existing capacity, to accommodate 120 people in one location within the Huntingdon area, within either our own property portfolio or our partners existing property portfolios.
- 2.4 The County Council's Highways Service, in conjunction with strategic partners, is developing a joint highways depot site in Swavesey. It is expected that the new joint highways site will release the existing Huntingdon Highway Site for redevelopment. The new headquarters is required in addition to the new planned joint highways depot. The imminent need for the new headquarters does not fit with the programme for the Shire Hall Relocation Project or Combined Authority Project, however, these should be considered as part of the decision on the size and type of acquisition.
- 2.5 The accommodation would provide joint accommodation for 120 staff from both the Council and the successful bidder. Accommodation will be allocated on the Council's average 5:10 workstation to headcount ratio, and will move Council staff from Shire Hall and the current Skanska's offices at Girton.
- 2.6 Strategic Assets proposed two potential solutions: a leasehold acquisition of a new office base or a freehold acquisition. Members have stated that the County Council should be taking a more commercial approach to property investment which a freehold acquisition is consistent with. Two potential properties have been identified as set out in **Appendix 1**.
- 2.7 The freehold acquisition will require a large initial capital investment compared to a leasehold acquisition but the County Council would be able to retain the asset at the end of the Highways Contract. A freehold acquisition provides flexibility by allowing the County Council to relocate other teams from currently leased assets, share with partners with no restrictions and will give the County Council the opportunity to lease part of or all of the property out on commercial lease terms, when no longer required for operational requirements, providing a potential income stream.
- 2.8 It is intended that the County Council will share the office base with the new Highways contractor and no charge will be made to the contractor for the space that they occupy under licence. The Council did consider the option of charging market rent for the space occupied however the contractor will recharge the rental cost via their tender bid price 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.
- 2.9 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.
- 2.10 The County Council's Constitution now provides that the authority for all property transactions rests with the Assets and Investment Committee, but there is an agreed delegation to the Chief Finance Officer (*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

- 2.11 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 Chief Finance Officer, where the annual market rental value of the site is less than £20,000.

- 2.12 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 Chief Finance Officer has delegated authority to authorise and therefore this Committee's authority is required for the onward grant of an occupational agreement to the provider, as well as for the acquisition itself.
- 2.13 In order to simplify matters, it is proposed that Cambridgeshire County Council documents the occupation of the new office base sites via a licence, 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 the acquisition of the new office base and the licence at less than best is required before the County Council can formally confirm the property arrangements to both contractors.

### **3.0 RECOMMENDATION**

- 3.1 Joint accommodation for CCC Highways staff and the chosen contractor staff will be required for a minimum of 10 years, therefore it is felt that the freehold acquisition would provide best value for the Council.
- 3.2 The Huntingdon area is a preferred location for many Council services, particularly those who run county wide services. The additional space offered by property 2, Vantage House, over and above the requirements for the joint Highways accommodation would offer additional capacity for commercial use. With the opportunity of coming out of a leased property St Ives next year, some services being jointly managed between Cambridgeshire and Peterborough and the options for an alternative to the Shire Hall site this would allow flexibility within our portfolio in a geographical central location for Cambridgeshire.
- 3.3 Vantage House will accommodate the 120 Highways staff in addition to either a commercial lease for the remaining space or to accommodate a minimum of 40 Council staff, this is based on a standard workstations and meeting room layout and the Councils average 5:10 ratio.
- 3.4 Parking ratio for most Council buildings is calculated on a three/four workstations per car park space ratio.

- 3.5 Recommendation: Property 2, Vantage House, option 2a. The building will hold c160 staff using c80 workstations (subject to the type of layout required), therefore the additional parking offered in option 2b will not be required.
- 3.6 The cost to set up the building will be finalised when successful bidder is chosen.

#### 4. ALIGNMENT WITH CORPORATE PRIORITIES

##### 4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

##### 4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

##### 4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

#### 5. SIGNIFICANT IMPLICATIONS

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes or No Name of Legal Officer:
Are there any Equality and Diversity implications?	No Name of Officer: Tamar Oviatt-Ham
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Mark Miller
Are there any Localism and Local Member involvement issues?	No Name of Officer: Tamar Oviatt-Ham
Have any Public Health implications been cleared by Public Health	Yes or No Name of Officer:

Source Documents	Location
Highway Service Contract 2017 – Highways Transformation Board papers and associated background documents	<a href="http://lccc.cambridgeshire.gov.uk/data/Et Shared/HSC Board">lccc.cambridgeshire.gov.uk/data/Et Shared/HSC Board</a>