
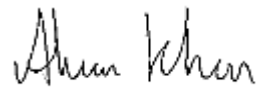


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 13th July 2023	
Report Title	Low Hall Depot Refurbishment and South Access Road Commercial Facilities	
Cabinet Portfolios	<p>Councillor Clyde Loakes, Deputy Leader (Climate and Air Quality)</p> <p>Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration)</p>	 
Report Author/ Contact details	<p>Jarlath Griffin, Corporate Director Neighbourhoods 020 8496 6787, nadia.islam@walthamforest.gov.uk</p> <p>Aiden McManus, Corporate Director Property and Delivery 020 8496 4361, nadia.camporese@walthamforest.gov.uk</p>	
Wards affected	Markhouse	
Public Access	<p>OPEN except for Appendix 1 which is EXEMPT in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.</p>	
Appendices	<p>Appendix 1 – RIBA Stage 0 Options Appraisal (Exempt)</p> <p>Appendix 2 – Equalities Impact Assessment</p>	

1. SUMMARY

- 1.1 This report sets out the options for improved facilities at Low Hall Depot to support the continued delivery of high-quality services to our residents and wider public. It also provides an opportunity for commercial lettings, creating new employment space and job opportunities and the potential to integrate with the Lido masterplan proposals for a new health and leisure destination at Low Hall Sports Ground. This opportunity responds to the wider Lea Bridge Area Framework aspirations to leverage, complement, and build on the existing cluster of commercial businesses

on the Argyll Business Park to create more employment space and increase job opportunities on Low Hall Strategic Commercial Land.

- 1.2 The report seeks Cabinet approval for a revised scheme for the Low Hall Depot site that will deliver:
 - 1.2.1 a well-integrated, 'fit for purpose' Depot, ensuring the facility at Low Hall can support the delivery of high-quality services, in support of key Council strategies, whilst addressing health and safety concerns and the need for EV charging infrastructure.
 - 1.2.2 a commercial investment opportunity for new creative/maker spaces along South Access Road achieved through a reduced site footprint.
 - 1.2.3 Delivery of new commercial space, which will help boost the local economy and create new jobs and opportunities.
 - 1.2.4 a future-proofed depot with infrastructure to enable Electric Vehicle (EV) use for service delivery.
 - 1.2.5 a scheme that is cognisant of the masterplan for the immediate area including the proposals for a Lido facility at Low Hall Sports Ground.
- 1.3 The refurbishment of the depot will be funded from borrowing, whilst the new commercial units will be brought forward to a future Cabinet for decision as a Return-on-Investment opportunity that generates the maximum commercial value for the Council.

2. RECOMMENDATION

- 2.1. Cabinet is recommended to:
 - 2.1.1. Approve a total capital budget of up to £10.3m for development of the scheme and refurbishment works for the Depot. The financing cost of the scheme results in additional revenue costs of £678,000p.a. which will be included in the Medium-Term Financial Strategy (MTFS) refresh later in the year.
 - 2.1.2 Note that the above budget does not include capital delivery costs for the new commercial units, which will be subject to a separate business case and Cabinet report.
 - 2.1.3 Delegate Authority to the Corporate Director Property and Delivery in consultation with the Strategic Director Neighbourhoods and Environment, the Strategic Director – Resources, the Deputy Leader - Climate and Air Quality and the Deputy Leader - Housing and Regeneration, to proceed with any design development and then procure and award the contract for the preferred layout of the depot refurbishment works.
 - 2.1.4 Note that the Corporate Director Property and Delivery, in consultation with the Strategic Director Neighbourhoods and Environment will carry out further commercial options

development and bring back a report to a future Cabinet for decision as a Return-on-Investment opportunity.

3. BACKGROUND

- 3.1. In May 2019, Cabinet approved a total capital budget of £19.84m to meet the project delivery and upfront construction costs of delivering a new depot subject to the upfront construction cost of the new depot being recouped via the capital receipt from a 447-home residential-led mixed-use development on released surplus land. Cabinet requested an Outline five case Business Case be produced and approved by the Project Board and Capital Strategy & Asset Management Group prior to procurement commencing. Cabinet also delegated approval to the Commercial Director – Property & Delivery, in consultation with the Strategic Director of Finance & Governance, to procure and appoint the project management and technical teams required to support the new Depot and residential-led development projects.
- 3.2. In addition, Cabinet Approval was also subject to continuous review of the business case by the Commercial Director – Property & Delivery and that, if risks relating to a significant reduction in resources or an increase in costs were identified, a further report will be brought back to Cabinet for approval.
- 3.3. The scheme costs have increased significantly, and values have not kept pace. Following further concept redesign, costing and viability appraisal of options for delivering residential or commercial units on the surplus land as part of a comprehensive redevelopment of the site, the scheme is no longer viable. A revised scheme to refurbish the depot instead and deliver reduced commercial provision on the site is now being brought forward for Cabinet Approval.

PROPOSALS

- 3.4. The Depot site is in flood zones 2 and 3 and has significant adverse ground conditions and constraints arising from historical and current uses and underground statutory utilities. In September 2021, Pick Everard concluded their technical assessment of the site constraints produced a technical report, which includes estimated costs for flood mitigation measures, diversion of statutory utilities and ground remediation, which were not included in the previous scheme costs.
- 3.5. As a result of cost burdens, the development viability appraisals of the residential scheme and an alternative commercial scheme resulted in a significant viability gap
- 3.6. In December 2022, the Project Board considered the updated viability positions of both options alongside a refurbishment option with a recommendation to take the report on options to the Council's senior corporate management. The recommendation from senior corporate

management was to progress with an enhanced refurbishment option to meet the service requirements and to explore commercial letting opportunities to deliver additional employment space and help activate the South Access Road frontage and integration with the Low Hall Sports Ground lido masterplan.

The Opportunity for Refurbishment - Revised Scheme Benefits

- 3.7. In March 2023, Pick Everard were commissioned to produce a feasibility study of potential layouts for a refurbished depot that is well-integrated, 'fit for purpose' Depot that can support the delivery of high-quality services, in support of key Council strategies.
- 3.8. The study was completed in May 2023, following consultation with Service Users, the Lido Capital Delivery Team, Highways Development, and the Regeneration Team, and is attached as Appendix 1 - RIBA Stage 0 Option Appraisal (Exempt) to this report.

The Preferred Layout

- 3.9. The RIBA Stage 0 Option Appraisal report sets out three (3) potential layouts, each of which will deliver:
 - 4.6.1 a well-integrated, 'fit for purpose' Depot that meets the Service Users' Brief and Operational Requirements ensuring the facility at Low Hall can support the delivery of high-quality services, in support of key Council strategies.
 - 4.6.2 a future-proofed depot with infrastructure to enable the move to EV use for service delivery in time before renewal of Service contracts.
 - 4.6.3 a commercial investment opportunity for new commercial units of 3280m² - 5260m² along South Access Road achieved through a reduced depot site footprint to deliver a long-term income stream for the Council subject to further commercial advice.
 - 4.6.4 a scheme that will activate the frontage of the Depot along South Access Road and respond to the masterplan for the immediate area including the proposals for a Lido facility at Low Hall Sports Ground.

High Level Programme

- 3.10. Subject to this Cabinet decision, the Council's Capital Delivery Team will procure a professional Architect-led design team and cost consultants to take forward the scheme to Planning submission following which a contractor will be procured to deliver the refurbishment works to the new depot. Further commercial advice and marketing strategy will be undertaken on the optimal layout and model for the commercial units. This opportunity will be brought to a future Cabinet for decision as a Return-on-Investment Opportunity.

Activity	Completion
Cabinet Approval	July 2023
Depot Design	Winter 23/24
Scheme Planning Permission	Q1 2024/25
Depot Construction	Q2 2025/26
Cabinet Approval – Commercial Units	September 2023
Commercial Units Design	Winter 2023/24
Commercial Units Construction	Q4 2024/25
Scheme Handover	Q2 2025/26

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1. 'Do Nothing' – A fit-for-purpose, modern Depot facility is urgently required due to health and safety concerns and the need for EV charging infrastructure. A £2.3m investment in temporary buildings and refurbishment works to clear a maintenance backlog of c£1m at Low Hall Depot in 2019 and 2020 have extended the facility's operational life by 5 years. However, a similar quantum of investment will be required in 2025 and at periodic intervals going forward.
- 4.2. The Council did consider alternative development of the site such as redeveloping the site to deliver commercial or residential on the surplus land. Both these options were considered cost prohibitive.
- 4.3. The refurbishment of the depot would not preclude redevelopment of the depot site coming forward at a later stage.

5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1. The redevelopment will contribute to a number of Council's policies for the area set out in the Core Strategy including:
 - Policy CS3 – Providing physical and social Infrastructure
 - Policy CS15 – Well Designed Buildings, Places and Spaces
- 5.2. In addition, the refurbishment will respond to the following:
 - 5.2.1. The **Climate Emergency Commission** Report.
 - 6.2.2 This proposal will support the Council's new **15-minute Neighbourhood Corporate Framework**.

6. CONSULTATION

- 6.1. To date there has been a period of internal consultation with the current Depot operators, which has encompassed both Council services and contractors.
- 6.2. Soft market testing exercises conducted with potential commercial operators in September 2022 favourably indicate the site's potential in terms of commercial development.
- 6.3. Ward Members and Portfolio Lead Members have also been engaged with and briefed on the revised scheme.
- 6.4. Following appointment of a Depot design team, further consultation, including public engagement will be undertaken as the refurbishment and commercial development proposals are developed before a planning application is submitted. Furthermore, detailed engagement will be undertaken with the Service providers and staff located in the Depot to develop a decant strategy for the refurbishment works.

7. IMPLICATIONS

7.1. Finance, Value for Money and Risk

Capital Costs

- 7.1.1. Total capital cost of up to £10.3m (in line with option 3B in Exempt Appendix 1) is required to deliver the new refurbished Depot comprising:
 - a Project Development and Delivery budget of up to 0.83m (Professional Consultant Fees) to fund design development, project management, technical and commercial advisory consultancy, procurement, and other professional fees.
 - a Depot refurbishment budget of up to £7.55m plus £1.92m for risk, contingency and inflation allowance.

Description	£m
Project Development & Delivery budget for both Depot and Commercial Units, incl LBWF costs and external procurement and technical support and consultancy	0.83
SUB-TOTAL	0.83
Refurbishment of Depot (construction)	7.55
Risk & Contingency	1.92
SUB-TOTAL	9.47
TOTAL CAPITAL BUDGET	10.30

- 7.1.2. Any Contingency/Risk budget will be held in the Client project budget and released via appropriate change control through the Project Delivery Board.
- 7.1.3. The financing cost of the scheme results in additional revenue costs of £563,000p.a. to be incorporated into the MTFS refresh. Officers will seek to extend the life of the assets during detailed design stage from RIBA Stage 2 onwards.
- 7.1.4. The design of the new commercial units will be developed as part of the design work, but the capital cost of constructing the new commercial units will be developed as part of a separate business case which will consider the revenue generated from them and will be brought forward to a future Cabinet for approval. Any surplus generated from the commercial units will be used to fund the depot redevelopment.

Revenue Implications

- 7.1.5. The revenue operating cost of the refurbished depot will be met and contained within existing service budgets and cross charging arrangements with term contractors as provided for within existing agreements.

Risks

- 7.1.6. Key risks at this stage are outlined below:

Risk	Mitigation
Cost Increase: The presence of heavily contaminated land around the site is known but a technical solution will need to be sought and agreed which may impact on the budget estimates	A 20% Risk contingency has been allowed for at this stage and is considered sufficient mitigation.
Planning - Commercial Units. The new units will result in additional traffic up South Access Road and will require suitable mitigation to secure planning permission.	Early engagement with Highways development, the market and Lido Team to deliver a well-co-ordinated and still attractive transport and access route to the new commercial offer will be undertaken as part of further commercial investment development work.
Viability of Commercial Units. The Council's preferred model for realisation of the commercial lettings might not be the most attractive to potential operators.	Carry out further early engagement with the market and further commercial development exercise to determine the optimal deal structure.

Value for Money

- 7.1.7. The refurbishment achieves value for money by delivering a future-proofed and fit-for purpose depot that will support continued delivery of high-quality service to our residents. Procurement of the design teams, operator and contractors will be carried out competitively to ensure best value is obtained. The investment will improve depot operations, fully eliminate a maintenance backlog of over £1m and reduce repair and maintenance costs.
- 7.1.8. As the project is progressed, the value generated by the commercial offer will be maximised by optimising the typology, access arrangements and deal structure.

7.2. Legal

- 7.2.1. Under Section 1 Localism Act 2011, The Council has the power to do anything that individuals may generally do (the general power of competence). The Council also has the power under Section 111 of the Local Government Act 1972 to do anything, which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions. The decisions taken in this report are taken in accordance with these powers. Under Sections 1 and 12 of the Local Government Act 2003 the Council may borrow money or invest for any purpose relevant to its functions or for the prudent management of its financial affairs. The borrowing must be prudent and comply with the Prudential Code.
- 7.2.2. Procurement and award of contracts of all project management and technical advisors and the procurement and award of contracts for the development partner will be undertaken in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

7.3. Equality and Diversity

- 7.3.1. An initial screening exercise of the equality impact of this decision was undertaken and determined there was no impact on the Council's equality duty. The Equalities Impact Screening Assessment is attached as Appendix 2.

7.4. Sustainability (including climate change, health, crime and disorder)

- 7.4.1. The new buildings will be built to meet at least the "Very Good" standard as assessed by the Building Research Establishment Environmental Assessment Method (BREEAM). Subject to cost and affordability, the possibility of building to BREAM 'Excellent' will be explored at the next design stage.
- 7.4.2. Photo Voltaic (PV) Panels – Depending on which option is advanced, a design requirement will be to ensure that any new roofs are structurally sound enough to accommodate any future PV Panel installation. In

addition, the Invitation to Tender (ITT) for the works contract will include an optional item for the design and install of PV Panels so the Council can call off this option should funding be secured/identified for PV Panels.

- 7.4.3. The new commercial units aspect of the scheme will be the subject of a future Cabinet report which will include details of the sustainability aspects of that element of the scheme.
- 7.4.4. Opportunities will be sought in the depot refurbishment tender specification and works to minimise future carbon emissions from the site in operation and during the refurbishment works. In addition, where possible, local labour and supply chains will be utilised to reduce the carbon footprint of the build process.
- 7.4.5. Depending on which option is implemented, EV charging infrastructure for between 80-150 vehicles will be installed in the first instance as part of the refurbishment works, increasing to 100% of EV to meet new service contracts as they come into effect

7.5. Council Infrastructure

- 7.5.1. **Resources:** The scheme will be managed by Capital Delivery using resources currently in place. The team will be responsible for the delivery of the project, working with internal stakeholders and external consultants.
- 7.5.2. **Support services** – Finance, property, legal and procurement: Support from the Council's legal, procurement and finance services will be provided in preparing all the necessary legal agreements, undertaking procurement, and assessing the financial impact upon the Council.
- 7.5.3. The refurbished depot will provide the Council with a significant service delivery infrastructure from which environmentally sustainable Council services will be delivered for the next 25 years and beyond.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None.