

Agenda Item No: 9.6 **Report No:** 85/15
Report Title: Depot Rationalisation Feasibility Report
Report To: Cabinet **Date:** 6 July 2015
Cabinet Member: Councillor Andy Smith
Councillor Paul Franklin
Ward(s) Affected: Lewes Bridge, Lewes Priory, Newhaven Valley, Newhaven Denton & Meeching
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Purpose of Report:

To obtain Cabinet approval to pursue the development of a new depot in Newhaven, combining the existing depot and recycling facilities at Robinson Road, Newhaven; and North St, Lewes onto a new site at Avis Way.

Officers Recommendation(s):

- 1 That Cabinet delegates authority to the Director of Corporate Services and the Director of Service Delivery, in conjunction with the Assistant Director of Corporate Services to develop a combined depot premises in Newhaven in accordance with the detail contained within this report.
- 2 That Cabinet allocates £3.5m within the Capital Programme for delivering LDC's new combined depot premises in Newhaven, to be funded from capital receipts and prudential borrowing financed from savings arising from consolidation of assets.
- 3 That a first call upon capital receipts from the property regeneration project will be used to repay this loan.
- 4 That Cabinet agrees that the Director of Corporate Services and the Assistant Director of Corporate Services make appropriate arrangements to serve notice on the affected tenants at Avis Way.

- 5 To authorise the Director of Corporate Services to appoint ESCC's Property & Capital Investment Delivery Team to project manage the construction of the combined depot facility; and to waive Contract Procedure Rule 6 in respect of this contract for the reasons set out in paragraphs 3.15 to 3.17.
 - 6 To authorise the Director of Corporate Services to appoint Lewis & Co as planning consultants and to waive Contract Procedure Rule 6 in respect of this contract for the reasons set out in paragraph 3.17.
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Reasons for Recommendations

- 2 On 19th March 2015, Cabinet approved the recommendation to carry out a feasibility study into the relocation of Robinson Road Depot and North Street Waste & Recycling Centre onto a combined site in Avis Way, Newhaven.

Information

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Background

- 3.1 In March 2012, Cabinet approved the principle of agile working and operational property rationalisation. This decision was closely followed by the adoption of the Property Strategy in May 2012, and the new shared services presence in Newhaven approved by Cabinet in July 2012.
- 3.2 There has been significant progress in the intervening time, with the refurbishment of Southover House, centralisation of operational activity within Lewes into one building, and the new shared services building in Newhaven will be delivered in Autumn 2015. It is therefore now appropriate, given the review of how waste and recycling will be delivered in the future, to consider the business case for combining the current operations onto one site.
- 3.3 There are two other key strategic priorities to consider. The Recycling Centre in Lewes is located within the North Street Quarter which is subject to a joint development proposal between LDC and Santon. Additionally, the land at Robinson Road where the existing depot is has been earmarked to deliver a number of affordable homes through the property regeneration project.

Feasibility and Site Layout

- 3.4 The illustrations have been based on an outline specification document provided by Lewes District Council as well as notes taken at a briefing meeting held at the existing Depot and site visit to Avis Way, although this did not include access into the existing buildings. Area requirements for the storage of materials within the MRF have been broadly based on figures contained in a report undertaken by Ricardo AEA and the outline specification document.

- 3.5** There are a number of existing buildings across the two sites. It may be possible to reuse some of the existing structures, but this is design and condition dependent. It has been assumed for cost purposes that all buildings will be demolished.
- 3.6** The main warehouse building (approx. 15 x 50m) is constructed with a steel frame, corrugated cladding and a corrugated asbestos cement roof. The building has been designed for the direct loading of lorries with a raised floor approximately 1m above the external ground levels and roller shutters along the southern and northern sides. Although the building appears structurally sound the building fabric is in poor condition and the raised floor would not be suitable for the use of any of the proposed buildings. The proposals therefore look to demolish this building as it would not be cost effective to reuse or refurbish the building.
- 3.7** The office building (approx. 6x20m) is a two storey flat roof roofed building connected to the eastern end of the warehouse. It looks to be formed in loadbearing construction with a brick outer face and timber windows. The internal layout and condition is not known but the building could be serviceable.
- 3.8** There are three existing steel framed workshop buildings, two located in the south western corner of the site and one at the eastern end of the warehouse building. Again, it may be possible to repurpose these buildings, but the costings assume that they will be demolished.
- 3.9** The report has identified two possible layouts of the site, but this could change at the detailed design stage. Accordingly, these layouts have been included within this report for illustrative purposes only.
- (a)** Illustration A: The proposals look to construct three separate buildings namely the Vehicle Workshop, the MRF and the main Office / Welfare facilities. These are located at the edges of the site freeing up the central space for circulation with odd corners of the site being used for storage and parking. Please see Appendix A for the illustrative plan.

The buildings are located in defined areas of the site which will allow for dedicated access from Avis Way which will reduce possible congestion and conflicts due to cross circulation. The central circulation area can be configured as required.

The Vehicle workshop is located at the northern end of the site with a dedicated cross over onto Avis Way. This end of the site also provides a large parking area for vehicles using the workshop and council vehicles.

There is a clean demarcation between the northern and southern sides of the site which could be a physical boundary or flexible notional boundary.

The southern end of the site has an access point onto Avis Way and is designated for the external storage of materials from the MRF for loading and export. It could be that this area shares the main central entrance which could create some additional external storage area.

The office / welfare building is located centrally, on the site of the existing office building directly on Avis Way. This will allow public access into the building from the front without the need to enter the working area of the site. However it still allows a clear view over the site and the entrances and easy access for those within the site.

The total estimated cost to deliver Illustration A is outlined at Appendix C.

- (b) Illustration B: The proposals show a smaller MRF compared to Illustration A but with the workshop and offices combined into a single building located centrally in the site. The office section of the building faces onto Avis Way allowing public access without the need to enter the working area of the site. Please see Appendix B for the illustrative plan.

Circulation for refuse and recycling vehicles is via a one way system entering at the southern end of the site and exiting at the northern end, with the circulation route also providing access to the workshop bays and space for parking spaces around the edge of the site.

A weighbridge has been located at the rear of the building on the entry route which will allow for queuing of vehicles but with a bypass lane. Vehicles to be weighed empty would need to pass through the site again or an additional weighbridge could be constructed adjacent to the exit.

This site layout indicates a 200m² Environmental Agency building which could be located in the northern corner of the site and accessed from a separate new entrance in the far northern corner.

The Transfer Station building is smaller than the Illustration A proposal with storage bays down only one side. The building could be increased in size to match the size of the Transfer Station in Illustration A, but at the expense of losing many of the refuse vehicle parking bays along the northern boundary and the ability of accommodating an EA building would be much reduced.

The total estimated cost to deliver Illustration B is outlined at Appendix C.

Conclusions and Next Steps

- 3.10** The feasibility study indicates that the land identified at Avis Way would be a suitable site to accommodate a Waste Transfer Station (WTS), Vehicle Workshop and Office & Welfare facilities of a size that corresponds with the areas indicated within the Outline Specification provided by Lewes District Council.
- 3.11** To progress, a more detailed brief will need to be developed to clarify the size, function and relationship of all the areas. However this will be subject to decisions that will need to be made on the type of service the facility will be provide as well as the future refuse and recycling collection policy that will be adopted.

- 3.12** Although the site will be capable of accommodating the WTS and Vehicle Workshop, it is unlikely that Illustration B will be able to accommodate all the parking for the council refuse and recycling vehicles, which we understand number up to 40. Similarly if a scheme the size of Illustration A is required it is unlikely that there will be adequate space to accommodate a building for the Environmental Agency unless additional parking spaces are lost.
- 3.13** Neither layout allows for the provision of small business units to recoup the revenue that will be lost from existing tenants. However, there is likely to be a saving based on the running costs of the current sites and more opportunity to offer a commercial service from the new depot. It is therefore hoped that the lost revenue from rent will be netted off.
- 3.14** It is recommended that the suggested route to procurement and construction is to engage with a Tier 2 Design and Build Contractor procured through East Sussex County Council's (ESCC) Sussex Cluster Contractors Framework (SCCF).
- 3.15** LDC does not have staff with the appropriate skills and experience to manage this type of project. ESCC's specialist Property & Capital Investment Delivery Team has the necessary skills and experience including a dedicated Project Manager, Cost Consultant, Contract Administrator, as well as CDMc and access to ESCC's contractor frameworks for procurement.
- 3.16** The Council's Contract Procedure Rules require that officers invite tenders for contracts costing £30,000 or more. Project management of the construction elements of the new depot scheme will exceed £30,000.
- 3.17** The development of the site at Robinson Road is time sensitive in order to be able to capitalise on a possible Homes and Communities Agency (HCA) grant. Accordingly, there is pressure to complete the procurement process. It is therefore proposed to appoint ESCC's Property & Capital Investment Delivery Team to project manage the construction elements of the new depot scheme without inviting other contractors to tender.

At the same time, there is an urgent need to appoint planning consultants for Robinson Road and a number of other sites identified within the Property Regeneration Portfolio. Lewis & Co Planning Consultants have the required expertise, experience and capacity and it is recommended that they are appointed without inviting other contractors to tender. These recommendations require a waiver of Contract Procedure Rule 6 by either Cabinet or the Leader.

- 3.18** Recent examples of ESCC's experience include The Keep – the new historical resource centre at Falmer, as well as the redevelopment of Warwick House in Seaford. The Keep was a major construction project (£18m) that was delivered on time and to budget. Additionally, ESCC are currently undertaking the project management role on the Newhaven Growth Quarter project and the new shared services building in Newhaven, Saxon House.
- 3.19** If this is the preferred route to construction, then ESCC propose to charge a fee in the region of 4%-6% of the overall project cost for the Project Manager, Cost Consultant (including contract administrator) and CDMc and procurement

services that the ESCC Major Projects Team provide. Any Design costs would be included as part of the overall contractors proposal. If however, the fee is above the OJEU threshold, then a full tender exercise will be necessary.

3.20 ESCC's proposed fee percentage excludes any fees associated with Estates/legal work or Building Control. They propose to issue invoices on the following basis:-

- Gateway 1 15% of Total Fee
- Gateway 2 (Construction phase) 40% of Total Fee (i.e. 55% Cumulative)
- Gateway 3 (Practical completion) 35% of Total Fee (i.e. 90% Cumulative)
- Gateway 4 (End of defects) 10% of Total Fee (i.e. 100% Cumulative)

3.21 Should Cabinet approve the recommendation to develop a new depot at Avis Way, it will be necessary to serve a Section 25 notice on the affected tenants at the earliest opportunity.

4 Financial Appraisal

4.1 The expectation is that the borrowing to fund this additional capital expenditure will be redeemed from a call upon capital receipts realised from consolidation of assets.

4.2 There will be a loss of rental income of £61,000 pa from the 2 sites at Avis Way, but this can be partially offset by the reduced running costs from combining the depots onto one site.

4.3 It may be possible to develop some of the land in the future to generate a rental income, by retaining the flexibility to build small business units on the site. This layout is dependent upon future fleet size and profile.

4.4 It may also be possible to develop new income streams, for example through fitting photo-voltaic panels. The Council would benefit from the Feed-In Tariff and reduced utility costs.

5 Legal Implications

5.1 Legal advice re terminating leases is contained within the report dated 19th March 2015.

5.2 The Council's Contract Procedure Rules (paragraph 4.14) allows designated officers to place orders from existing Framework Agreements procured by other local authorities. Joining such an arrangement is subject to approval by the Council's senior legal officer.

- 5.3** The Council were named in the contract notice which established the Sussex Cluster Contractors Framework and can call off from this arrangement. The Council's senior legal officer approves the use of the framework agreement for this project.
- 5.4** Under the 2015 Regulations the Council can (without applying the public procurement procedures) award a public service contract for the provision of centralised purchasing activities (including ancillary purchasing activities) to a central purchasing body. ESCC will have been acting as a central purchasing body in setting up and managing the framework. This is different however to ESCC providing professional services related to the delivery of works under a construction contract.
- 5.5** The proposal from ESCC is not part of an arrangement that can be classified as "mutual co-operation" in procurement terms. It is proposed to award the services contract for elements of the professional team work for the construction contract to ESCC. As the value of this contract is less than the services threshold of £172,514, Cabinet are asked to approve a waiver for not following the Council's Contract Procedure Rules by going out to tender to appoint the service providers for this work but to award the contract to ESCC directly. It is considered that this approach will be efficient and offer value for money. However, if the final quote from ESCC is above the OJEU threshold, it will trigger a full tender exercise.

6 Risk Management Implications

Risk	Mitigation
The cost of the new facility exceeds the allocated budget.	The contract is to be let on a Design & Build basis which gives greater cost certainty. There will also be regular progress and monitoring reports from the Project Manager and Employer's Agent.
The new development fails to meet the specification that is required.	Early engagement is required between the service area and the architects to ensure that the design is developed in line with client needs.
LDC is unable to gain vacant possession of the sites.	In the event that the tenants refuse to move, LDC will need to demonstrate that there are grounds under the Landlord and Tenant Act 1954 and apply to the Court.

7 Equality Implications

- 7.1** The equality implications of the proposal are mainly positive. Newhaven is the most deprived part of Lewes District, and the new depot will add to the significant investment already demonstrated within the town in relation to such projects as the UTC; Newhaven Growth Quarter; and the Shared Services premises, Saxon House. Additional investment will show public sector confidence in the town to external investors and local residents and businesses.
- 7.2** Further work on equality implications will be considered as part of the design and build – for example, ensuring that the building is fully accessible and meets modern standards.

8 Background Papers

9 Appendices

Appendix A: Illustration A Site Layout

Appendix B: Illustration B Site Layout

Appendix C: Feasibility Estimate EXEMPT

Appendix D: Feasibility Report EXEMPT