

Cabinet

DATE	14th February 2024
REPORT OF	Councillor S Swinburn, Portfolio Holder for Environment and Transport
RESPONSIBLE OFFICER	Carolina Borgstrom, Director of Economy, Environment and Infrastructure
SUBJECT	Depot Rationalisation Capital Funding
STATUS	Open
FORWARD PLAN REF NO.	CB 02/24/11

CONTRIBUTION TO OUR AIMS

The relocation of North East Lincolnshire Council's (the Council's) depot facilities to one combined site will enable the development of a more efficient, modern and fit for purpose service to deliver vital functions to the community of North East Lincolnshire.

It will consolidate the Environmental Services and Equans workforces in a single, geographically central location which will support the Council's priority outcome to create a 'Stronger Economy' by introducing potential service efficiencies and economic regeneration opportunities. This approach will ensure Council services are given the opportunity to be located together, with high quality facilities to enhance service delivery and enable the Council in meeting its core duties to the residents of the borough and to support staff welfare. This will support our determination to be an efficient and effective Council.

The relocation will also contribute directly towards the Council's aim of supporting the development of 'Stronger Communities' by improving the service for residents and visitors to the Borough, towards the North East Lincolnshire Waste Strategy and the Council's ambition to progress towards net zero by property rationalisation.

EXECUTIVE SUMMARY

This report seeks approval for further capital funding to progress the delivery of a single depot and co-locate all the Council's operational services to the Doughty Road Depot site.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approves the allocation of £1.3m of additional capital funding plus a minimum 10% contingency of £0.328m as set out in paragraph 1.13, to allow for completion of the project.
2. Accepting the estimated nature of remaining costs, delegates authority to the Director for Environment Economy and Resources in consultation with the Executive Director, Place and Resources (as Section 151 Officer) and the Portfolio Holder for Environment and Transport to make any required adjustments in funding to the maximum contingency of 20% and implement all actions necessary to bring the works to completion and to take all ancillary actions reasonably arising.
3. Authorises the Chief Legal and Monitoring Officer to execute and complete all requisite legal documentation in relation to the matters outlined above.

REASONS FOR DECISION

The Council's operational services currently work from two depots at Doughty Road and Gilbey Road. Co-locating services at Doughty Road will improve service efficiency, offer a capital receipt from disposal of the Gilbey Road site, reduce property maintenance costs and ensure that good quality facilities are available for all Council and Equans employees. A centrally located depot will also offer improved transport options for operational staff and increase footfall to Grimsby Town Centre, with over 90 staff moving to the site from Gilbey Road.

1. BACKGROUND AND ISSUES

- 1.1 A report was received by Cabinet on 12 February 2020 with recommendations approved to progress delivery of a single operational depot at Doughty Road to locate all operational services on the one site. The project is in progress with design and construction elements managed by Equans and reporting to a Council project group and project management board.
- 1.2 Various factors during delivery of the project have necessitated a review of projected costs and a revised capital spend has been calculated, without which the project cannot be completed to the planned scope. Details of the increased actual costs are given below.
- 1.3 The Doughty Road Depot is a brownfield site used as a council depot for many years and formerly utilised as a railway yard with many old buildings remaining in situ. The project to remodel and refurbish the depot is taking place whilst it remains operational with the work being phased to manage this. This has also presented opportunities to reuse and recycle material within the new development. Intrusive surveys have been undertaken prior to construction work but the risks of working on a brownfield site and modernising older buildings can only be mitigated to a certain extent.

- 1.4 In considering the increased costs it is important to recognise that the original budget predictions were calculated in February 2020, 4 years previously. Since this time global issues have impacted on the UK economy creating both financial and delivery pressures in the construction sector. Since the start of the project inflationary factors brought about by the change in the economic climate have also impacted tender returns for each element of the work that have outstripped the contingency amounts in the original forecast. The extent of these could not have been anticipated prior to project start.
- 1.5 During excavations for the new garage buildings adjacent to Peaks Parkway a large railway sleeper tanning tank was discovered dating back to the time of the rail yard, which had been capped with concrete slab. The tank was made with cast iron and infilled with soil and rubble which had become contaminated by the remaining tanning fluids. The required cleansing, demolition and safe removal of the tank and contaminated waste, plus the delays to the garage construction because of this work have resulted in an unanticipated extra cost of £216,250 to the project.
- 1.6 Similarly, the construction of a new Grounds Maintenance building has been subject to increased costs because piling was needed for the footings on further investigation of the ground in the area it is being built. Inflationary factors have also affected the actual cost for this construction work. The actual cost for this element of the project is £662,000 more than originally budgeted.
- 1.7 Many of the older buildings on the site have been demolished with the remainder being refurbished, where this is more cost effective. The storage sheds required for some vehicles and equipment are being retained and reclad, so these were surveyed before the work began to give an estimate of cost. The asbestos cladding panels have been removed and now the structure can be closely examined, remedial works are required for this building to be safely reclad and made good. This extra work and the extension of time to undertake it have brought further unanticipated cost of £248,000.
- 1.8 The completed depot will house most of the Council's fleet including HGVs for waste collections, tractors for grounds maintenance work and a number of electric vehicles. Much of the site will need to be resurfaced to create internal roads and parking bays with underground ducting for services, all of which will be constructed in phases to keep the site operational. A contractor has been engaged to undertake this complex piece of work, but inflationary factors have again affected costs with this part of the project costing £125,000 more than originally budgeted.
- 1.9 The main office block on the Depot is to be remodelled to accommodate the services that will be working from the site. The roof of the building was in a poor state of repair and there had been several significant leaks. The roof has been replaced and strengthened to be able to install solar panels at a later date, but again inflationary factors and the addition of some extra work on fascia boards, gutters and soffits have brought the actual costs to £128,000 more than originally budgeted.

1.10 Based on the evidence of increased costs in the construction industry the project delivery team have requested that Equans review the total capital budget, proportionately increasing projected costs for the remainder of the work to account for the risk related to the nature of the site and the complexity of the project.

1.11 The original capital allocation for the project was £6.8m. To demonstrate the impact of inflation a compound inflation estimate has been undertaken to determine the impact on the original project budget set in 2019, and is shown in the table below:

Original budget	Cost 2020 with 1.5% inflation	Cost 2021 with 4% inflation	Cost 2022 with 11.6% inflation	Cost 2023 with 10% inflation
£6,800,000.00	£102,000.00	£276,080.00	£832,657.28	£801,073.73
	£6,902,000.00	£7,178,080.00	£8,010,737.28	£8,811,811.01

1.12 To mitigate the increased costs of completed and ongoing work the design of the site and structures yet to be built or refurbished have been reviewed and value engineered to limit future costs.

1.13 An extra £1.3m is required in addition to the original capital allocation of £6.8m to complete the project. This takes into account the unforeseen issues detailed above, inflationary factors and cost reductions from value engineering but does not include a percentage contingency for any future risk on remaining estimated costs. There is a need for a contingency sum on both the additional capital sum of £1.3m and the remaining unspent allocation of the original budget of £1.98m. Therefore, the total estimated costs to complete the project and against which a contingency sum is required is £3.28m. The table below shows the contingencies for low, medium and high levels of risk.

	% contingency on £3,280,000	Contingency
Low	10%	£328,000
Medium	15%	£492,000
High	20%	£656,000

This report seeks approval for adjustments to be made up to the high risk 20% contingency, as detailed in recommendation 2.

2. RISKS AND OPPORTUNITIES

2.1 The action detailed in paragraph 1.10 and 1.13 are proposed to reduce the risk of further capital requests, although this risk cannot be completely mitigated. At completion of the project some capital may remain which can be

returned to council funds.

- 2.2 The revised designs and budget forecast have been scrutinised to deliver only the essential elements to allow the project to be completed. If the project is not completed the opportunity to reap the benefits of a single, modern and efficient depot will not be realised. Whilst the capital cost has increased the new depot has been designed to deliver revenue savings in utilities, ongoing maintenance and service delivery, including future proofing the site for expected changes to services and fleet requirements. Further opportunities for revenue and carbon savings can be realised with the inclusion of green technology at a later date, for which the current design has been tailored.
- 2.3 Completion of the project will release the Gilbey Depot site for sale. Whilst the proceeds of a future sale are not directly offset against the Depot project the sale is a significant part of the Council's wider property rationalisation strategy, and the capital receipt will contribute to council funds.

3. OTHER OPTIONS CONSIDERED

The option to end the project, finishing only the construction work in progress, was fully evaluated. This is not considered to be a viable option given the capital already committed and that the aforementioned benefits and opportunities would not be realised.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are potential negative reputational implications for the Council with either option, but these are minimised if the project continues to completion. An action plan has been agreed with the Council's communications service relating to media releases and enquiries.

5. FINANCIAL CONSIDERATIONS

This is a major Council project that will offer long term revenue savings and directly impact the wider property rationalisation strategy. The completed depot will be an investment in the Council's staff and services that will bring benefits now and in the future.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The site is utilised by the Education Transport team and fleet, and the benefits of a modern and efficient site will positively impact that service.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The modernisation of the depot and the design features include green technologies now and for the future. Rainwater harvesting and solar power are included in the current design and new and refurbished buildings will be more energy efficient. The newly constructed Grounds Maintenance building will include solar panels and battery storage to power the building and EV

charging stations. The main office is designed to include an air source heat pump and solar panels and solar charged EV ports are also planned for the future. A new water main will be installed to reduce water leaks and improve water quality on the site.

8. CONSULTATION WITH SCRUTINY

A special meeting of the Communities Scrutiny panel was held on 12th February 2024.

9. FINANCIAL IMPLICATIONS

The additional capital costs being incurred will require an increase in the approved capital budget, to be funded through borrowing. This will result in additional ongoing borrowing costs over the estimated life of the depot.

10. LEGAL IMPLICATIONS

10.1. There are no legal implications immediately arising from the above report. The contractor has been properly procured and works implemented. The matter now is one of funding for additional unforeseen works arising as a result of the continuation of the agreed works.

10.2. The Council remains subject to best value considerations.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications.

12. WARD IMPLICATIONS

There are no direct ward implications.

13. BACKGROUND PAPERS

Cabinet report CB 01/20/06 12 February 2022

14. CONTACT OFFICERS

Carolina Borgstrom, Director of Economy, Environment and Infrastructure

Kath Jickells, Assistant Director for Environment

**Councillor Stewart Swinburn Portfolio Holder for
Environment and Transport**