
Decision Maker: EXECUTIVE
COUNCIL

**FOR PRE DECISION SCRUTINY BY THE ENVIRONMENT PDS
COMMITTEE ON 10TH JULY 2018**

Date: Executive 11th July 2018
Council 16th July 2018

Decision Type: Non Urgent Executive Key

Title: DEPOT STRATEGY - CAPITAL WORKS

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Chief Officer: Nigel Davies, Executive Director, Environment & Community Services

Ward: All Wards

Reason for report

- 1.1 The waste management, street cleansing and grounds maintenance contracts are being re-tendered with the new contracts due to commence in April 2019. In preparation for this, a strategic review of the Council's depots has been undertaken in order to provide cost-effective and flexible facilities based on a contract structure where the contractor is able to self-provide modular buildings and storage facilities, reducing the Council's ongoing costs.
 - 1.2 An assessment of the condition of these depots has been carried out and a range of essential capital works has been identified including the replacement of hard standings and demolition of dilapidated buildings. Budget costs for these works have been assessed.
 - 1.3 At the larger depots, particularly those associated with waste management, the improvements will help to maintain site safety and environmental compliance as well as sustaining fitness-for-purpose throughout the duration of the contracts.
 - 1.4 This report therefore recommends that the sum of £6.5m is approved to carry out the identified capital works.
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2. RECOMMENDATION(S)

That the Executive:

- 2.1 Recommend that Council approves the addition of the scheme for Depot Improvement Works to the capital programme, with a total cost of £6.5m, to be financed as set out in paragraph 5.5;
- 2.2 Delegates authority to the Programme Manager to authorise variations against the construction and/ or consultancy contracts within the 10% tolerances.
- 2.3 Approves an additional 10% contingency of £587k, for any additional depot works that are identified through the negotiation process for the Environment contract.
- 2.4 Agrees to delegate authority to use the additional 10% funding for depot works to the Executive Director of ECS in consultation with the ECS Portfolio Holder.
- 2.5 Agrees to utilise a suitable framework for the appointment of consultancy services;
- 2.6 Agrees the procurement of contractors for works as outlined in the report.

That Council:

- 2.7 Approves the addition of the scheme for Depot Improvement Works to the capital programme, with a total cost of £6.5m.

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council Quality Environment:
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Financial

1. Cost of proposal: £6.5m
 2. Ongoing costs: No additional revenue costs as a result of these works
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: N/A
 5. Source of funding: Capital receipts, internal borrowing, and external borrowing where required
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement:
 2. Call-in: Applicable:
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Procurement

1. Two levels of procurement are required to support this proposal.
 - a) The appointment of Consultancy Services
 - b) The appointment of Contractors
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 Depots play a key role in supporting the provision of Council services and in many cases feature in the front-line and public interface. Part of the procurement process for the group of Environment contracts due to start in April 2019 included a strategic review of depots. The review aimed to establish the number, location and condition of the current depots in the context of service delivery and identify sites that would provide sufficient geographical coverage, but reduce where possible any future financial liabilities and future cost pressures and release sites where there would be an opportunity to generate capital receipts.
- 3.2 The review included a survey to ascertain the state of each site and to assess scope of improvement works required. This was carried out by the Council's Property team who commissioned their contractors Cushman and Wakefield to produce a condition survey report.
- 3.3 The results of the review concluded that a number of existing premises would not be required to support the new contracts and in some cases, better use of existing sites would bring operational efficiencies, fundamental to providing the services. Any surplus sites would be disposed of in due course.
- 3.4 As reported to the Executive on the 06/12/17 (Report [ES17088](#)) the conclusion was that in addition to the two main waste related depots (Central and Churchfields), 7 smaller sites would be retained as bases to operate the services from. Seven existing sites would not be required after April 2019 and 3 others are proposed to be transferred to Crystal Palace Trust in 2022. Estimates for the improvement works required at the retained sites were obtained through the Council's Property team which included consultancy fees.
- 3.5 The works proposed comprise the provision of hardstanding and utility access points to allow contractors to self provide modular offices and storage units, essential hardstanding repairs and improvements, other structural repairs and the demolition of dilapidated buildings.
- 3.6 The tendering of of new Environmental Services Contracts will be completed by autumn 2018 with contracts commencing on 1st April 2019. The anticipated programme for this project is outlined in the attached table:

Task	Completion Date
Approval to project	July 2018
Appointment of Consultancy Services and Programme Manager	October 2018
Design Development and Tender	October 2019
Construction/ demolitions	October 2020

- 3.7 It is unlikely that all sites will be ready to coincide with the commencement of the new contracts however, due to complexities of the various works required, this will enable the new contractors to participate in the design and phasing of the works.
- 3.8 It is proposed that this project is delivered by Amey's Capital Project Team using multi-disciplinary consultancy services.

3.9 The table below summarises the works that need to be carried out for each depot along with the estimated costs:-

Depot	Summary of works	Estimated costs £'000	Consultants fees £'000	Total £'000
Central Depot	Hardstandings/Concrete slabs/Utilities	2,127.5	212.8	2,340.3
Churchfields Depot	Hardstandings/Concrete slabs/demolition/Utilities	750.4	75.0	825.4
Kelsey Park (Lower)	Hardstandings/Concrete slabs/Demolition/Utilities	797.5	79.7	877.2
Priory Gardens	Hardstandings/Concrete slabs/Demolition/Utilities	312.8	31.3	344.1
London Road Cemetery	Hardstandings/Concrete slab/Utilities	86.3	8.6	94.9
Croydon Road Recreation Ground	Hardstandings/Concrete slabs/demolition/Utilities	173.6	17.4	191.0
Den Barn	Hardstandings/Concrete slabs/Storage (Re-provision at alternative site)	92.0	9.2	101.2
Kelsey Park (Upper)	Demolition	62.6	6.3	68.9
High Elms Country Park	Hardstandings/Concrete slabs/Utilities	644.0	64.4	708.4
Crystal Palace Information Centre	Demolition	111.5	11.2	122.7
Programme Manager	N/A		200.0	200.0
Sub Total		5,158.2	715.9	5,874.1
Contingency of 10%, for additional works that may be required following the award of the new Environment contract				587.4
TOTAL				6,461.5

3.10 It should be noted that the costs will be finalised following the appointment of consultants to carry out the design works.

3.11 The figures shown above includes a 10% construction contingency. Delegated authority is sought for the Programme Manager to authorise variations against the construction and/ or consultancy contracts within this tolerance.

3.12 Given the short timescale between award of the new Environment Contract and the commencement date, it is recommended that an additional contingency of 10% is set aside in the event that extra work is identified through the negotiation process that needs to be undertaken at short notice. It is recommended that delegated authority be given spend this contingency, to the Executive Director of ECS in consultation with the ECS Portfolio Holder.

3.13 Any programme of work would have to be carefully phased and planned to ensure that services are not interrupted and it is proposed that funding is provided to Amey to appoint a Programme Manager to co-ordinate this complex project.

- 3.14 At the major depots connected with waste operations, the Council's service provider as holder of the Environmental Permit, will be fully involved in the specification and work planning aspects of the project.
- 3.15 Land contamination surveys and ground investigations would be required during the design stage of the project. The intensification of depot space would also require traffic management plans to be prepared to limit any impact up on the local environment.
- 3.16 The project will improve the general appearance and workings of such sites and will enhance the efficiency and professionalism of those whom operate from these bases. This is expected to reduce the overall running costs, providing a long-term solution that aligns with new service provision proposals.
- 3.17 This scheme aims to create a sustainable infrastructure and reduce the Council's long term financial liability. Where depots are beyond economic repair buildings will be replaced by hardstanding upon which the contractor can self-provide modular offices and sea containers. This will ensure that the provision is matched to need and costs associated with surplus real estate will be minimised.

Risks

- 3.18 Risks associated with not funding the improvements are:
- Operational sites identified would become unsafe and or unusable and therefore would have to close, meaning the services that operate from these locations would have to relocate, causing significant service disruption resulting in temporary loss of service and significant customer complaints and reputational damage.
 - That the tenders from the prospective contractors would include the costs of making the depots fit for purpose, therefore increasing the costs of the contracts and the annual revenue budgets.
- 3.19 Risks relating to the management and delivery of this project are those affecting operations and the impact on the surrounding areas. This is due to the project involving multiple sites, which are in constant operational use and which will have to be kept open during the works and the likely increase in vehicle movements due the maintenance contractors. The further risk is the impact of any land contamination. In respect of Central Depot, the Waldo Road waste transfer station is licenced by the Environment Agency and must comply with site condition standards.
- 3.20 The current Waste Transfer Stations and Household Waste Recycling Centres will continue to provide services to the local community and the essential works proposed will facilitate that uninterrupted use.
- 3.21 This investment will enable the provision of waste and other environmental services to operate effectively and meet the Council's statutory requirement to provide these services. It will also serve to uphold the requirements of the Waste Permits, issued by the Environment Agency in respect of the Central and Churchfields Depots.
- 3.22 The reduction in the number of depots will reduce the Council's long-term financial liability and that the risk of surplus provision is minimised.

4. POLICY IMPLICATIONS

- 4.1 This proposal links to Portfolio/Service Plans, the Asset Management Plan and will contribute towards our Key Priority of enhancing our clean and green borough, improving the Quality

Environment by providing fit-for-purpose infrastructure to support Environmental Services' contracts.

5. FINANCIAL IMPLICATIONS

5.1 This report is proposing to undertake essential works to ten of the Council's depots as summarised in 3.9 above, totalling £6.5m and that the scheme be added to the capital programme, subject to approval by Full Council.

5.2 The table below summarises the cost of the scheme: -

Summary of estimated costs and funding	£'000
Estimated costs	
Capital works	5,158.2
Consultant costs	515.9
Programme Manager	200.0
Additional 10% contingency for depot works	587.4
Total estimated costs	<u>6,461.5</u>

5.3 These costs are currently estimated to be incurred as set out below:-

	£'000
2018/19	300.0
2019/20	3,000.0
2020/21	3,161.5
	<u>6,461.5</u>

5.4 The strategy for the provision of depots has identified some depots as surplus to requirements, some of which could be disposed of and produce a capital receipt. The options for these sites will be considered in a future report to Members.

5.5 It is currently projected that the Council's capital receipts will have been fully utilised by the end of 2019/20, and then building up again from 2022/23 onwards. As a result, it is proposed that, where possible, the scheme costs will be funded from unallocated capital receipts and internal borrowing and that only where necessary will external borrowing, such as from the Public Works Loan Board (PWLB), be utilised.

5.6 However, it should be noted that the capital receipts projections currently includes an estimate for receipts from depot disposals. Should the options appraisal fail to identify sufficient disposals to fund the costs of this scheme, then the report will also include alternative funding options for the scheme, such as longer term external borrowing.

5.7 There are no additional on-going revenue maintenance costs resulting from these works.

6. LEGAL IMPLICATIONS

6.1 The estimated contract value for the consultancy services contract is £516k which is above EU threshold level for services and will need to be procured in full compliance with the Public Contracts Regulations 2015 "Regulations"). Using an EU compliant a framework set up by another public body is permitted under the Regulations and the Council's Contract Procedure Rules ("CPR"). A suitable framework will be identified in consultation with the Head of Procurement.

- 6.2 The total value of the works contract is estimated at £5.2m and is above the EU threshold value for works and will need to be procured in full compliance with the Regulations. Compliance with the Regulations will ensure compliance with the Council's CPR.

7. PROCUREMENT IMPLICATIONS

- 7.1 For a construction project of this value an OJEU compliant process will have to be undertaken. An alternative to OJEU is to use a framework. Frameworks are available to public sector bodies, often within a geographical area and the suppliers on the framework are selected via an EU compliant tendering process.
- 7.2 LB Bromley uses a number of frameworks and Property officers will liaise with Amey on the selection of the most appropriate one for a particular project. It is recommended that the Council appoints the consultancy services using a suitable framework.
- 7.3 The Programme Manager will be commissioned as part of the the Multi-Disciplinary Consultancy team or as part of the Total Facilities Management Contract within Amey's selection process.
- 7.4 Contractors will be selected in accordance with the appropriate EU/ Public Procurement Regulations.

Non-Applicable Sections:	Impact on Vulnerable Adults and Children; Personnel
Background Documents: (Access via Contact Officer)	ES17088 Environment Services Commissioning Programme Update 06/12/2017

APPENDIX 1

The report from Cushman & Wakefield proposed that the overall number of depots retained by the Council reduced from 19 to 9.

The following site will be retained:

1. Central (Main Depot - Waste Services & HWRC, Street Cleansing and Grounds Maintenance)
2. Churchfields Road (Main Depot – Waste Services & HWRC, Street Cleansing, Grounds Maintenance)
3. Kelsey Park Lower (Main Depot - Grounds Maintenance)
4. Priory Gardens (Satellite Depot – Grounds Maintenance)
5. London Road Cemetery (Grounds Maintenance)
6. BEECH Centre High Elms (Education Facility – Grounds Maintenance)
7. Chislehurst Cemetery (Grounds Maintenance)
8. St Luke`s Cemetery (Grounds Maintenance)
9. Croydon Road Recreational Ground (Satellite Depot – Grounds Maintenance)

The Councils two waste transfer sites (Central Depot and Churchfields), will be retained for the provision of the Waste Management service, Winter services, Street Cleansing, Grounds Maintenance and Passenger Transport Service.

The sites suggested for decommissioning are to be considered for disposal or alternative use, due to a combination of poor geographical location, high cost liabilities and potential to generate capital receipts, are as follows:

- ☐ Alligator House (Civic Centre)
- ☐ Beaverwood – Depot
- ☐ Church House Gardens – Depot
- ☐ Lodge at Church Gardens
- ☐ Lodge at High Elms
- ☐ Den Barn at High Elms
- ☐ Chapels, London Rd Cemetery (x2)
- ☐ Chapel at St Luke`s Cemetery
- ☐ Kelsey Park Upper Depot

A further 3 depots at Crystal Palace Park are likely to transfer to the Trust at a future date.

This would then leave 9 sites (including the two central depots) for the provision of environmental services.

The condition survey report from C&W also highlighted the risks associated with Churchfields and Central Depots during the contract term, which will need to be considered by the service in due course. The Council has the option to ask any prospective bidder for the tendered Environmental Services Contracts to include any capital works required in their submission which will spread these costs over the contract period or for the Council to finance any capital works required from the capital programme as and when required. This will be dealt with in the award report of the Environmental Services Contracts and once C&W have finalised their overall report.