

## **APPENDIX G – financial update for capital programme monitoring report re: depots**

### **1. BACKGROUND**

- 1.1. On 30th November 2022, the Executive (ES20222) approved an increase in the capital budget for the Depot Capital Infrastructure works, providing a total capital budget of £9.1m. This increase was required due to a rise from the previous construction cost estimates (detailed in report numbers ES20109 and ES18032) that had arisen due to:
  - 1.1.1. Unanticipated construction market inflationary changes particularly as a result of world events i.e. the war in Ukraine.
  - 1.1.2. Analysis of ground investigation reports and consequent need to excavate and replace substantial unanticipated levels of made ground.
  - 1.1.3. Fire suppression system design development showing that a higher volume of water needs to be stored and contained for removal in a fire event due to the hazard category of the site.
  - 1.1.4. Further survey work revealing the substantial extent of works required to repair Waste Transfer Station structures.
- 1.2. Design work has since progressed on the scheme to produce the detailed technical designs needed to prepare a tender package to put out to the market. In parallel, the waste services provider has developed their proposals for how services can continue to be delivered during the capital works.
- 1.3. This has identified that there are greater costs required to deliver the proposed scheme in full than previously anticipated. This includes an increase of around £1.7m to the construction costs, along with an increase of around £300k to support adjustments needed for the delivery of waste management services during construction.

### **2. SUMMARY OF THE BUSINESS CASE**

- 2.1. The original business case for the Depot Capital Infrastructure Works was outlined in the 2018 Executive Report (reference ES18032) and further refined within the 2021 Executive Report (ES20109). The overall aim of the works is to create the sustainable infrastructure required for the statutory delivery of waste services and reduce the Council's long term financial liability. It also serves to uphold the requirements of the Waste Permits, issued by the Environment Agency in respect of Central and Churchfields Depots. The detailed scope is outlined in Table 1, at the end of this document.
- 2.2. The project has now reached the end of RIBA (Royal Institute of British Architects – industry standard) stage 4, technical design, and the construction cost estimate has been updated. The up-to-date budget estimate is set out in Table 2 at the end of this document. The estimate for the works includes allowances for a standard 10% construction contingency as well as inflation. There is also a further client-side contingency allocated to manage unforeseen consequences of the proposed works or essential changes once on site.

- 2.3. The construction cost increase estimate has increased by £1.7m since the previous design stage, which can predominantly be attributed to:
- 2.3.1. Increases to the electrical and mechanical works packages, which had not previously been captured and therefore costed by the design team.
  - 2.3.2. Additional ground investigation surveys, including previously inaccessible locations, have increased expectations of the amount of ground remediation needed and level of anticipated spoil that will need to be disposed of as contaminated waste, at greater cost.
  - 2.3.3. Additional temporary infrastructure, enabling and rectification works needed to create, and later remove or relocate, alternative operational areas during the construction works, to enable continued service delivery.
- 2.4. With regard to point 2.3.3, prior to the current design stage, it had been proposed to deliver the works, particularly at Central Depot, via multiple smaller construction phases, to keep as much of the working area operational as possible during construction. However, a change has had to be made to the previously anticipated phasing for reasons of:
- 2.4.1. buildability, identified through technical design,
  - 2.4.2. operational practicality and safety, and
  - 2.4.3. increasing costs due to extended time on site and highly challenging working implications.

This change has shortened the duration of works on site, made the works manageable for both the contractor and waste services operator, and reduced the substantial construction challenges associated with keeping operational parts of the site and services working during construction.

- 2.5. In addition to the construction cost changes, the development in service planning undertaken by the waste services provider has enabled further understanding of the operational implications and related costs for managing temporary changes. This has highlighted the need for a greater budget to cover increased service delivery costs, which are necessary to minimise the on-site construction time and address the issues noted in 2.4 above.

### **3. OPTIONS APPRAISAL AND PREFERRED OPTION**

- 3.1. Following the completion of RIBA design stage 4 and review of the increase in costs, officers have undertaken a further analysis of the infrastructure works required to support service delivery and provide a safe and fit for purpose environment for the Council's environmental service depots in the immediate future.
- 3.2. The options considered were:
- 3.2.1. Progress the full scope of depot infrastructure works on both sites at increased cost.
  - 3.2.2. Progress a reduced scope or specification of works at both sites.
  - 3.2.3. Progress with the full scope of depot infrastructure works but only at Central Depot, due to the higher volume of waste handled at this site and remain

within the current allocated budget.

3.2.4. Progress with the full scope of depot infrastructure works at Central Depot and a reduced scope of works at Churchfields Depot.

3.3 In evaluating the most efficient way forward in relation to options 3.2.1 to 3.2.4, consideration has been given to the following.

3.3.1 Value engineering options have been considered on the current works package and options have been proposed to decrease the specification or omit various aspects of the works. This follows similar review processes at the end of each prior design stage, including reconsideration of any previously proposed value engineering solutions.

3.3.2 Review of the implications of value engineering options has identified that there are safety, operational and maintenance implications to reducing or changing the works. The resultant works would not achieve the outcomes necessary of a capital works scheme to protect and preserve the structures on the site and provide appropriate compliant systems.

3.3.3 It is considered that omitting or reducing the scope or specification of aspects of the works would decrease the resulting life of the works to unacceptable levels. This would lead to increased short to medium term maintenance budget liabilities and medium-term capital liabilities to both address unmet needs and repair and replace reduced design life items.

3.3.4 Should the works at Churchfields be omitted or reduced, this would mean that the current compliance and safety issues at this site were left unattended with resultant consequences.

3.3.4.1 This would increasingly impact upon current extensive maintenance liabilities, as issues already arise on a week-to-week basis and cannot be left unresolved due to the high-risk nature of this type of operational site.

3.3.4.2 The known issues at this site would present an ongoing high draw on both planned and reactive maintenance budgets to keep the site operating compliantly and safely for both staff and the public both now and going forward.

3.3.4.3 Whilst a lower specification works and ongoing maintenance projects (which become inefficient when procured individually) could keep the site running, it is considered that a capital works project would still need to be completed at this site within the next 5 years to address the larger scale issues on site as reduced scope of works would lead to reduced design life of the installation. There would also be duplication of costs associated with partially addressing current issues with a lesser scope, which then later has to be redone to address other connected works.

#### **4. RECOMMENDATION**

4.3 Based on the above factors, and considering the most efficient option overall, the preferred option is 3.2.1, to progress the full scope of infrastructure works at both sites. This option would minimise maintenance costs, comply with environmental and safety

standards and avoid medium term equivalent or greater capital costs at the sites .

- 4.4 The approved budget to date is £9.107m. It is anticipated that to complete the full scope of works at both sites, as the preferred option, will cost £11m, as broken down in Table 2 below. Therefore, it is recommended that an additional sum of £1.893m be approved to increase the total budget to £11m.
- 4.5 Work will continue throughout the rest of the project to ensure that the most economical design proposals, that appropriately achieve the aims of the scheme, are progressed.

### **Reference Tables**

**Table 1 – Proposed scope of works**

<b>Depot</b>	<b>Works</b>
Central Depot	<ul style="list-style-type: none"> <li>• Surface Water Drainage alterations and repairs/separator replacement</li> <li>• Floor Slab replacement to Waste Transfer Station</li> <li>• Waste Transfer Station roof and cladding repairs (including column replacements and protection and new push walls to protect the structure plus corrosion painting)</li> <li>• Fire suppression system</li> <li>• Pedestrian entrance adjustments at Waldo Road entrance</li> <li>• Replacement weighbridges</li> <li>• Some smaller repairs to the hardstanding in the Reuse and Recycling Centre and Baths Road</li> </ul>
Churchfields Depot	<ul style="list-style-type: none"> <li>• Surface Water Drainage repairs/ separator replacement</li> <li>• Floor Slab replacement in Waste Transfer Station</li> <li>• Fire suppression system</li> <li>• Repairs to Waste Transfer Station cladding/walls</li> <li>• Ancillary hardstanding repairs required in relation to drainage works</li> </ul>

**Table 2 – Summary of Depot Improvement Programme Total Costs**

<b>Cost element</b>	<b>Cost £'000</b>
Construction contracts (main works and enabling package)	£8,800
Fees (consultancy, surveys, statutory fees, project management)	£1,654
Client Contingency	£500
Discontinued sites (surveys and feasibility design fees)	£46
<b>TOTAL</b>	<b>£11,000</b>