

Decision Maker: Executive

Date: 20 July 2011

Decision Type: Non-Urgent Executive Non-Key

Title: **GATE REVIEW 2/3
RELOCATION OF STREET CLEANSING FACILITIES TO
FORMER CHARTWELL BUSINESS CENTRE, CENTRAL
DEPOT**

Contact Officer: John Turner, Chief Property Officer
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Chief Officer: Marc Hume, Director of Renewal and Recreation

Ward: Bromley Town

1. Reason for report

To request funding in the sum of £300,000 for enhancement works to the former Chartwell Business Centre, Central Depot on a spend to save basis, to make the building suitable for use by street cleansing services and to delegate authority to the Chief Property Officer to seek and accept tenders for the project in accordance with the recommendations listed below.

2. **RECOMMENDATION(S)**

- 2.1 That approval be given for capital funding of £300,000 on a spend to save basis for the enhancements required to make the former Chartwell Business Centre suitable for occupation by the street cleansing services.
- 2.2 That the Chief Property Officer is given approval to seek and accept tenders for the project.
- 2.3 That delegated authority is given to the Chief Property Officer to value engineer the project at award stage, if tenders are returned in excess of the 5% of the approved estimate.
- 2.4 That delegated authority is given to the Chief Property Officer and Finance Director to accept a tender for these works as long as the tender sum can be contained within the budget.

Corporate Policy

1. Policy Status: Existing policy. Bromley 2020 Vision, Building a Better Bromley. Environment Portfolio
 2. BBB Priority: Quality Environment.
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Financial

1. Cost of proposal: Estimated cost £697,457
 2. Ongoing costs: Non-recurring cost. £697,457
 3. Budget head/performance centre: Property Services
 4. Total current budget for this head: £397,457 available from Planned Maintenance Budget
 5. Source of funding: Capital Funding Spend to Save/ Planned Maintenance Programme
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Staff

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

1. Legal Requirement: Statutory requirement.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide impact
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 In November 2007, the Depot Review Project examined the current and likely future use of Central, Beaverwood and Churchfields Depots. The review was undertaken to provide a long term framework for maintenance and other investment decisions.
- 3.2 The current usage of the depots was examined and the vacation and possible disposal of each depot was considered. The report concluded that there would be potential financial and service gains from re-locating the street cleansing and street lighting services from Beaverwood Depot to Central and Churchfields Depots respectively and to vacating Beaverwood Depot.
- 3.3 Following discussions between officers and contractors it was decided that it would not be practical to move the current contractors, but that any relocation of services should take place when the current contracts have expired and new contracts commence. The contract for street cleansing expires in March 2012 and for street lighting in 2013.
- 3.4 Chartwell Business Centre at Central Depot was occupied by a tenant and sub tenants. When they vacated the premises it provided an opportunity to move forward the proposal to relocate the street cleansing contractor and also the street cleansing client side staff. The proposal to relocate the street cleansing operation to Central Depot was reported to the Executive on 21st March 2011 in the report, "Service Proposals and Procurement Strategy – Street Cleansing Contract 2012/2019.
- 3.5 The Central Depot Project Board was set up to take this project forward. The Project is being run in accordance with Prince 2 principles. Relevant project documents, including the risk register and Communication Plan have been drawn up and are under constant review. The scope and priorities of the project have been reviewed and included within the Project Initiation Document.
- 3.6 The Project Board reviewed the initial decision taken as a result of the Depot Review Project and confirmed that it was still the preferred option.
- 3.7 The initial Depot Project Review and the Central Depot Project Initiation Document covered all aspects of the Gate Review 1 and 2 processes with two exceptions: the potential costs of the relocation had not been fully assessed; the statutory processes required for this project, including planning permission, were not confirmed.
- 3.8 The Board decided to commission a feasibility report. A brief was drawn up and the consultant was appointed to visit the vacant building at Central Depot and provide:
- Indicative floor plans
 - Indicative programme
 - A costed schedule
 - Advice on all statutory approval processes likely to be necessary as part of this project
 - Identification of any essential items of maintenance
 - Advice on any specialist survey work required

3.9 The consultant submitted his report on 15 April 2011. The consultant confirmed that planning permission is required. He also prepared an indicative programme that demonstrated that it was possible to complete the building works by March 2012, but only if the project commences immediately.

3.10 The estimated building costs for the project are £647,457 and are broken down as follows:

General Building Costs	£498,706
Preliminaries	£59,845
Contingency	£40,000
Total	£598,551
Professional and Statutory fees	£48,906
Grand Total	£647,457 excludes VAT

3.11 In addition a contingency of approximately £50,000 should be set aside for IT/Telephony and F&E for the client side offices.

3.12 The estimated building costs can be divided into expenditure needed to maintain the useful life of the building, which would be incurred anyway, and enhancements, which are works that are only required to make the former Chartwell Business Centre suitable for occupation by the street cleansing services.

3.13 The Chief Property Officer has confirmed that the expenditure needed to maintain the building can be funded from the planned maintenance programme and funding has been set aside in the planned maintenance programme 2011/12 to carry out these works. The enhancement works would be capital expenditure. An analysis of the estimated costs, taking into account building works, professional fees and fitting out of the client side office, has been undertaken and the enhancement works amount to approximately £300,000.

3.14 This report requests capital funding in the sum of £300,000.

3.15 In accordance with Gate Review 2 processes, the procurement strategy for this project has been reviewed and it is the preferred option to follow the traditional procurement route and to draw up a specification for the work and seek competitive tenders in accordance with the authority's contract procedure rules. Planning permission will also be sought.

3.16 There are pressing time constraints in this project. As previously mentioned the project needs to proceed immediately if the premises are to be ready in time for the commencement of the new contract. This report also requests that the decision to award the contract is delegated to the Chief Property Officer and Finance Director, who will ensure compliance with the Gate Review 3 processes, when making that decision.

4. POLICY IMPLICATIONS

4.1 The relocation of street cleansing services to the former Chartwell Business Centre complies with the policy aims and objectives of the Council, the Corporate Operating Principles, the Environment Portfolio Plan and the Asset Management Strategy and Plan.

4.2 Improved street scene services are a key outcome for the Environment Portfolio and link with the Council's policy and priorities to provide a quality environment, vibrant thriving town centres and supporting independence and safer communities.

- 4.3 The Asset Management Strategy and Plan outlines the fundamental objectives of asset management planning include rationalising property holdings, reducing the level of required (backlog) maintenance and annual running costs, improving facilities for service delivery and increasing space utilisation.
- 4.4 The Council also aims for sustainability, in terms of environment by reducing carbon emissions from vehicles and buildings and by ensuring sustainable property holdings.

5. BENEFITS OF RELOCATING STREET CLEANSING SERVICES TO CENTRAL DEPOT

- 5.1 The relocation of street cleansing services from Beaverwood Depot to Central Depot is the first phase of the vacation of Beaverwood Depot. When the street lighting contractor vacates the following year, it will provide an empty site, which can be disposed of or given an alternative use. The options for the future of Beaverwood site are discussed later in the report.
- 5.2 There are benefits that can be achieved from the relocation of street cleansing services from Beaverwood Depot to Central Depot with effect from 2012. These benefits and any estimated savings are outlined below. The savings will be quantified in more detail when the tenders for the contract are returned, but are estimated to be no less than £100,000 per annum (as detailed in paragraph 7.8). The benefits that can be achieved are as follows:

5.2.1 Development of Central Depot as the Council's main operational base for key operational services.

Central Depot is the largest depot and is centrally based in the borough. By locating as many services there as possible, we increase the flexibility in the future to combine contracts in the most economically advantageous way.

5.2.2 Environmental Services will control the entire site and the operations within it

The security of the site and control of the operations within it will be managed by the Depot Manager. Activities by previous tenants undermined the security of the site and caused complaints by the neighbours and reflected badly on the Council as owners.

5.2.3 Reduced traffic movements (Mileage and fuel)

Street cleansing vehicles are located on the edge of the borough and some vehicles have to travel the length of the borough every day. Vehicles also have to travel to Central Depot every day to tip off. This results in longer journeys and longer travelling time. It is estimated that vehicles would travel 14,000 fewer miles per annum if they were based at Central Depot. Savings of approximately £35,000 could be made over the term of the new contract. The carbon saving would be in the region of 65 tonnes.

5.2.4 Greater service efficiencies in street cleansing, particularly from vehicle journeys (Loss of Productivity, Vehicles and Labour)

It is estimated that being located at Central Depot would save approximately 2600 man hours per annum, i.e. time that is currently spent sitting in traffic and travelling. This amounts to a cost of £218,000 over the term of the contract.

5.2.5 Potential synergy between waste services and street cleansing

The street cleansing contractor uses the waste tipping facilities at Central Depot daily. There would also be the option of combined contracts in a different way if all services were co-located as mentioned in paragraph 5.2.1.

Additional benefits other than contract savings are:

5.2.6 Fit for Purpose Facilities

Beaverwood Depot was built at the turn of the century. Buildings, some of which are temporary structures have been added on an ad hoc basis over the years. Drainage on the site is inadequate, electrical supplies have reached capacity and the buildings are in a poor condition. The building at Central Depot is a shell, which provides the opportunity to create a modern fit for purpose facility.

5.2.7 Reduction in required (backlog) maintenance

The closure and disposal of Beaverwood Depot eliminates the need to carry out costly maintenance in the sum of the approximately £300,000 over the life of the forthcoming contract.

5.2.8 Rationalisation of Depots

The Depot Review carried out a detailed review of its depots and demonstrated in that review that only two depots were required and that Beaverwood Depot would be the best one to close. Reducing the number of Depots will reduce annual running costs, i.e. NNDR, energy, maintenance etc, estimated to be a net saving of approximately £80,000 per annum (as detailed in paragraph 7.8).

5.2.9 Vacation of Beaverwood Depot

This provides an opportunity to dispose of the site or provide an alternative use for it

6. VACATION OF BEAVERWOOD DEPOT

6.1 Beaverwood Depot would be vacated by March 2013. The Depot is in green belt and within a conservation area. Some of the buildings on the site are locally listed. In planning terms, the site is sui generis, i.e. it can be used for its current purpose. No decision has been taken on the future of the site, but there are a number of options that could be considered. Each of these options has a cost implication for the Council, as well as benefits, which have not been quantified and would have to be considered and reported to members separately. They are:

- Convert the site to green belt use
- Seek an exception to the normal green belt policy by justifying “very special circumstances” and convert part of the site to green belt use and sell the remainder of the site for residential development
- Seek an exception to the normal green belt policy by justifying “very special circumstances” and convert part of the site to cemetery use and sell the remainder of the site for residential development
- Sell the site as a Depot

6.2 Beaverwood Depot is adjacent to Chislehurst Cemetery, which has no more vacant plots. Although there is burial space in other parts of the borough, it would be a desirable option to expand Chislehurst Cemetery.

6.3 The potential capital receipt for Beaverwood Depot is in the region of £750,000 to £1.25 million depending on planning, market conditions and use.

7. FINANCIAL IMPLICATIONS

7.1 Chartwell

The costs for making the former Chartwell Business Centre suitable for use by the street services contractor and client side staff are as follows:

Description	£
Building costs (including preliminaries and contingency)	598,551
Fees	48,906
Furniture and Equipment/IT/Telephony-client side offices	50,000
Total	697,457

7.2 The £598,551 building costs includes maintenance costs, which would have to be incurred at the former Chartwell Business Centre whoever occupied the building and would be funded from the planned maintenance programme. Approximately £300,000 of the building costs are considered to be “enhancements” and are only required to make the building fit for occupation by street cleansing services.

7.3 Capital funding in the sum of £300,000 is being requested for the “enhancements”.

7.4 Required maintenance works include replacing the roof, improving insulation to current building regulation standards, electrical mains distribution, water supplies, heating installations, fire and burglar alarm system, external resurfacing and drainage repairs.

7.5 Enhancements include raising roof to Workshop 1 to allow for vehicle maintenance, facilities for wash down, fuelling, tyre inflation, including the provision of below ground interceptor, additional WCs and showers, fitting out of client side and contractor offices and mess room including IT/telephony infrastructure, compressed air system in workshops, extraction for exhaust, battery recharging, CCTV.

Beaverwood

7.6 Investment in the Beaverwood Depot has been limited because of the uncertainties about the future of the site. There are significant backlog maintenance issues and many of the facilities are not fit for purpose, or are owned and provided by the current contractor, who would remove them if they were not successful in their bid. The authority would be legally bound to carry out essential maintenance and provide suitable facilities at Beaverwood Depot before occupation. It is estimated that these costs could be in the region of £584,375. The costs of remaining at Beaverwood can be summarised as follows:

Description	£
Required (backlog) maintenance, including electrical works and road resurfacing	300,000
Capital Costs of replacing buildings	250,000
Fees	34,375
Total	584,375

7.7 Required maintenance work at Beaverwood Depot includes building maintenance works, electrical works, mechanical works, increasing electrical capacity, resurfacing and provision of exterior security lighting. Asbestos removal works would also have to be carried out prior to any other works.

Comparison of Options

Relocation of Street Cleansing Facilities to former Chartwell Business Centre

7.8 The relocation of street cleansing services to the former Chartwell Business Centre will incur the following one off costs.

Description	£
One off costs	697,457

There will also be revenue savings per annum as follows:

Description	£
Contract (minimum)	-100,000
Accommodation	-80,000
Loss of rental income	38,000
Total	-142,000

In addition to the savings shown above there is a potential future capital receipt in the region of £750,000 to £1.25 million depending on members' decision about future use of the site.

Continuation of Existing Arrangements (Beaverwood and Chartwell)

Description	£
Beaverwood One off Costs	584,375
Former Chartwell Business Centre, Central Depot One off maintenance costs	317,110
Total Cost of Operating at Two Sites	901,485
Variation in Costs between the two options	205,000

If the street cleansing services do not occupy the former Chartwell Business Centre, but remain at Beaverwood Depot, it would not be possible to achieve the revenue savings that a more central location could provide nor would the benefits in management be achieved by co-locating the client-side staff there. In addition on-going maintenance and other costs would be incurred at two depots instead of one and the opportunity cost of a capital receipt would not be possible.

If the street cleansing services do not occupy the former Chartwell Business Centre, attempts would be made to lease the building for small business units. It must be noted that there might not be demand for these units in the current economic climate.

8. LEGAL IMPLICATIONS

None

9. PERSONNEL IMPLICATIONS

It is proposed that up to 22 Streetscene staff currently located at the Civic Centre should be relocated to Central Depot. Advice will be sought from Human Resources about any consultation with staff that that is required under the terms and conditions of their employment.

Non-Applicable Sections:	Legal Implications
Background Documents: (Access via Contact Officer)	Business Case Depots Review Project 16.11.07(Gavin Moore) Service Proposals and Procurement Strategy-Street Cleansing Contract 2012/2019 Report to Executive 21.03.11 (Dan Jones) Central Depot Project Board PID 11.05.11(Cathy Pimm) Relocation of Street Cleansing Facilities Feasibility Report 04.11 (Cathy Pimm)