

COMMUNITIES SCRUTINY PANEL

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| DATE | 05/09/2024 |
| REPORT OF | Kath Jickells – Assistant Director Environment |
| SUBJECT | Depot Rationalisation Project |
| STATUS | Open |
| | Appendix 1 - NOT FOR PUBLICATION Exempt information within paragraphs 3 of Schedule 12A to the Local Government Act 1972 (as amended) |

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 Environment 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 to update the Communities Scrutiny Panel on the progress of the project to date and was requested by the panel further to their consideration of a report from the Portfolio Holder for Environment and Transport which was approved by Cabinet on 14 February 2024.

MATTERS FOR CONSIDERATION

That this report be considered by the panel in lieu of the Working Group which had been suggested at the Panel meeting of 12 February 2024.

1. BACKGROUND AND ISSUES

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. 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.

It is important to note that the baseline budget for the project was calculated in February 2020. 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. There have also been several unanticipated expenses relating to the age and complexity of the site, which have affected project costs, detailed in the February 2024 Cabinet and Scrutiny Panel reports.

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.

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, with more contaminated ground still being discovered as the internal road works progress.

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.

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.

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.

Based on the evidence of increased costs in the construction industry the project delivery team 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.

Since the Cabinet approval for increased capital funding with a higher contingency percentage the project has continued and is currently on target and within budget, within the revised project programme and contingency allowance. Full details of the original and revised budget, current spend and predicted remaining costs are shown in Appendix A.

2. RISKS AND OPPORTUNITIES

The increased percentage contingency sum will mitigate the risk of further capital requests, although this cannot be completely eliminated given the nature of the project.

Revising design plans, where possible, and value engineering continues to be a key focus of the project team to ensure the project delivers on outcomes whilst remaining within the new budget.

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.

3. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

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

4. 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.

A breakdown of current expenditure and remaining costs against the budget are shown in Appendix A.

5. 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.

6. 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.

MONITORING COMMENTS

In the opinion of the author, this report does not contain recommended changes to policy or resources (people, finance or physical assets). As a result, no monitoring comments have been sought from the Council's Monitoring Officer (Chief Legal Officer), Section 151 Officer (Director of Finance) or Strategic Workforce Lead.

7. WARD IMPLICATIONS

There are no direct ward implications related to this report.

8. BACKGROUND PAPERS

Cabinet report CB 01/20/06 - 12 February 2022
Cabinet report CB 06/21/03 – 14 July 2021
Cabinet report CB 02/24/11 - 14 February 2024

9. CONTACT OFFICER

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