

## RESOURCES & TRANSFORMATION OVERVIEW AND SCRUTINY PANEL – 22 JUNE 2023

### PORTFOLIOS: ENVIRONMENT & SUSTAINABILITY, FINANCE & CORPORATE

## DEVELOPMENT OF A NEW OPERATIONAL SERVICES DEPOT AT HARDLEY INDUSTRIAL ESTATE

### 1. RECOMMENDATIONS

- 1.1 The panel are requested to consider the proposal to allocate £7.8M of Capital funding towards the new depot facility and give feedback to Cabinet.

### 2. INTRODUCTION

- 2.1 NFDC is seeking to develop land at Hardley Industrial Estate for use as an operational services depot. The proposed scheme shall comprise staff and operational vehicle parking, storage, fuelling, and vehicle washing facilities, a vehicle maintenance workshop and office units. This development shall be in accordance with the current planning permission granted on 8 February 2023.
- 2.2 This new depot will serve as an operational centre for the east of the district. One of the Council's three existing depots – "Claymeadow" in Totton – will be decommissioned and planning permission sought for an alternative development, most likely housing.

### 3. BACKGROUND

- 3.1 The Council operates a range of frontline services within the "Place Operations" department. This includes waste and recycling collections, fleet maintenance, street cleaning, grounds maintenance, public toilets, corporate tree management and inspection, pest control, cemeteries, engineering works and parking and enforcement. These services are delivered by over 200 staff and over 200 vehicles/plant.
- 3.2 The geographic size of the NFDC area is such that these services are currently provided from three depots, as follows:

Depot name	Location	Services provided
Marsh Lane Depot	Marsh Lane, Lymington	Waste/recycling, street cleaning, fleet maintenance, parking and enforcement, administration services, vehicle washing and refuelling.
Claymeadow Depot	Hounslow Avenue, Totton	Waste/recycling, grounds maintenance, cemetery maintenance, street cleaning, corporate tree management, fleet maintenance, pest control, vehicle washing and refuelling.
Ringwood Depot	Christchurch Road, Ringwood	Primarily a waste/recycling depot with small street cleaning and grounds maintenance presence, vehicle washing.

3.3 In 2021, the Council commissioned a review of its depot provision, which was carried out by the consultant Wood Group UK Ltd who developed an Operational Depot Strategy. This Strategy reviewed:

- Current depot site capacities and limitations
- Future service delivery resource requirements
- Staff location requirements
- Transport implications
- Parking requirements
- Maintenance and storage requirements.

The output from these reviews were used to develop a consolidated view as to the best provision of depot facilities in support of service delivery across the District. This strategy concluded that the Hardley site would be an effective location from which to service the eastern side of the district, and that the Council should proceed with a relocation from Claymeadow to Hardley.

#### 4. THE CASE FOR CHANGE

4.1 The three depots have served the Council well in terms of providing bases for the delivery of key frontline services. In recent years however it has become increasingly evident that the Claymeadow Depot will not be fit for purpose in the medium to long term.

4.2 The buildings and other structures at the Claymeadow site are approaching the end of their life, and do not currently provide the facilities or working environment suitable for modern operational services. Space on site is also an issue, with some office staff accommodated in portacabins, operational vehicles double parking, staff having to park vehicles on access roads, some equipment being stored outside, and limited capacity within the vehicle workshop. The new Waste Strategy, approved in 2022 and due for implementation in 2025, will require further capacity for parking of vehicles and storage of equipment.

4.3 The Claymeadow site, shown in **Appendix 1**, is bordered by a community centre, housing, a railway line, and a road. This means there is no capacity to expand the current depot footprint to alleviate some of the issues described above, and the proximity to a residential area is not the ideal location for an operational depot. The location does however lend itself more favourably to an alternative use, such as housing, subject to securing planning permission.

4.4 The Council is investing in the modernisation of operational services via its new waste strategy and new ICT systems. A new operational depot at Hardley would be a further part of this modernisation that would deliver the following benefits:

- Provision of a more modern and comfortable working environment for staff, improving our ability to attract and retain staff in services with a traditionally high staff turnover.
- Health and Safety improvements, such as greater separation of staff parking and operational vehicle parking, and reduced reversing on site through use of one-way systems.
- A larger and purpose-built vehicle workshop that will improve servicing of the Council's fleet and associated efficiency.

- Better facilities for storage and care of Council vehicles, plant, and equipment.
- Capacity for an expanded vehicle fleet (particularly once the new waste service is implemented)

## 5. DETAILS OF THE PROPOSAL

- 5.1 The Council owns the freehold of a former industrial site known as Unit 8, Hardley Industrial Estate, Hardley, comprising approximately 1.29 hectares (3.19 acres) of land. The site forms part of a larger industrial estate, the freehold of which is also owned by the Council. The industrial estate is accessed from Hardley Roundabout on the A326. The site is currently vacant, and the Council secured planning permission for a new depot on this site on 8<sup>th</sup> February 2023.
- 5.2 The site plan can be seen at **Appendix 2**. It is estimated that once developed into an operational depot, it will have a useful economic life of at least 60 years.
- 5.3 The proposal has been designed to accommodate the services currently operating from the Claymeadow Depot, provided by 93 staff. In addition, the site will also accommodate an expanded service resulting from, for example, the new waste strategy. The facility will consist of the following key elements:
- New buildings comprising a store, a 4-bay vehicle repair and maintenance workshop, and a single storey office building and staff welfare facilities.
  - External stores - These pre-fabricated buildings would be set out as a single storey consisting of 14 separate storage units of differing sizes, each with a separate external access
  - A fuel store located approximately centrally within the site
  - An open-air materials storage compound
  - A one-way system, so that one access is used for depot vehicles arriving at the site and one used for depot vehicles leaving the site. Both accesses will have a sliding gate and vehicle access barrier.
  - A staff car parking area which will be accessed through an access to the south of the site. The development proposes a total of 75 car parking spaces for office and operative staff, together with appropriate cycle parking provision on-site.
  - A vehicle wash-down area
  - Inclusion of electric vehicle charging points (“EVCP”) in the staff parking area with a network of underground ducting, servicing all vehicle parking zones, to facilitate any future EVCP requirements.
- 5.4 The Council operates a fleet of Large Goods Vehicles to deliver services, and as such requires an Operator’s Licence from the Driver and Vehicle Standards Agency “DVSA.” Under its current licence, NFDC’s three current depots are registered as Operating Centres. NFDC will be required to apply to the DVSA to register the new depot location as an Operating Centre. The location of the site, nature of the operation and a good record of compliance with the terms of our Operators Licence mean that the council is

well-placed for a successful application at this site, which will be made during construction so that the Traffic Commissioner can assess the site as a near-complete depot.

- 5.5 The existing Clay Meadow depot site is shown on the attached location plan at **Appendix 1**. On 7 October 2022, Council secured an external market valuation of £1.15M for the site, assuming the benefit of a residential planning permission for 26 properties, of which 35% would be affordable homes. The market valuation asserted the site was a good location for residential development and its relatively small scale would be appealing to housebuilders. There is limited supply of land for the development of new homes on a brownfield site. Options for exactly how the site will support the District's housing needs will be assessed, to deliver the best possible outcome.

## **6. PROCUREMENT PROCESS**

- 6.1 On 19<sup>th</sup> January 2023 an open tender was advertised on the South East Business Portal in line with NFDC standing orders and in accordance with public sector procurement rules. Six contractors returned bids which were then evaluated and scored on 40/60 (quality/cost) basis.
- 6.2 Evaluation was supported by a team of design discipline experts who reviewed technical proposals and quantity surveyors who provided detailed analysis of the cost response. This team was responsible for reviewing the submissions to provide technical feedback and points of clarification to the evaluation team.
- 6.3 Following tender evaluation, which also included interviews, a preferred bidder has been identified. That preferred bidder will form part of the recommendation to Cabinet.

## **7. STAFF IMPLICATIONS**

- 7.1 There are currently 93 roles based at Claymeadow Depot, providing the services detailed in 3.2 above. All roles currently based at this depot will relocate to the new site, to benefit from the improved modern facilities. In November 2022, briefings were held with staff at the Claymeadow depot. This involved displaying the maps and plans, with artists impressions, and explaining the layout and facilities provided at the new site.
- 7.2 As per previous workplace relocations, such as the 2018 relocation of around 45 staff from Lymington Town Hall to Appletree Court, staff will be compensated for any additional mileage incurred in line with relevant Local Agreements.

## **8. FINANCIAL IMPLICATIONS**

### *8.1 Project Cost*

- 8.1.1 Table 1 below identifies spend during 2022/23 and the previously approved budget remaining. It also includes the costs required to complete the development of the site. The overall sum required includes the construction of the development and equipment on site as well as contingency. The delivery costs exceed the current approved remaining budget by £1,007,000 (including project contingency). These additional costs are anticipated to be offset

through the anticipated Capital Receipt to be realised from the Claymeadow Depot Site.

**Table 1**

Spend during 2022/23	Budget	Approved budget Feb 2023		Approved
	C/Fwd into 2023/24 (1)	2023/24 (2)	2024/25 (3)	Budget Remaining =(1)+(2)+(3)
£207,000	£293,000	£4,875,000	£1,625,000	<b>£6,793,000</b> (a)
<b>Project Completion Costs</b>				<b>£7,800,000</b> (b)
<b>Financial consequences, not yet budgeted:</b>				
Additional Delivery Sum Required =(b)-(a)				£1,007,000
Anticipated Capital Receipt - Claymeadow Depot				£1,150,000

8.1.2 Project Completion Costs include contractual costs, third party delivery support, non-contractual elements (such as office fit-out and ICT) and a project contingency.

## 8.2 Financing

8.2.1 The Council's Capital Strategy, adopted by the Council in February 2023 outlined the Capital Financing Requirement to 2025/26, which includes an assumption of expenditure on the delivery of the Council's new depot.

8.2.2 The Council will utilise a combination of funding from the Capital Programme Reserve, the Capital Receipts Reserve and Revenue Contributions towards Capital Programme financing to finance this new operational asset. The Capital Receipt to be released from the sale of the Claymeadow Depot site will finance the Additional Delivery Sum Required, as outlined in table 1 above.

8.2.3 The Council has spent approximately [£326,000] on professional fees and charges, planning fees, design fees and other costs on the project to date (£207,000 during 2022/23, and £119,000 in prior years).

8.2.4 As noted in paragraph 3.4 above, a recent external valuation (October 2022) gave a market value of £1.15M for the Clay Meadow Depot site assuming the land had the benefit of planning permission for 26 homes, 35% of which being affordable homes. The Council's General Fund will seek a sale at Market Value for this site.

8.2.5 The Council has received a recent (November 2022) external valuation for the Hardley site assuming planning permission for the development. The valuation gave an opinion of market rental at £195,000.00 per annum for the completed Hardley development based on a letting of the proposed buildings and yard to a hypothetical third party to generate a rental income and increase the capital value of the site on an investment basis.

### 8.3 Ongoing Revenue costs

8.3.1 Overall, the ongoing operating costs of the Hardley Depot should be broadly similar to those of Claymeadow (budget of £100,000 per annum).

- Energy costs will be lower as a result of the new site being far more energy efficient.
- Reactive and planned maintenance costs should be low for the first few years, although these will gradually increase after the site has been in use for a few years.
- Servicing costs will be greater as there will be more equipment that requires statutory PPM.
- National Non-Domestic Rates will be higher for the larger site.
- Most other operating costs (e.g. water, sewerage, cleaning, insurance) should be cost neutral.

8.3.2 The Depot Strategy (see 3.3) calculated that in terms of waste/recycling collection rounds, the relocation would add on average 6 miles per vehicle per day. Based on the current collection rounds, this could equate to an additional c£30k of fuel per annum. However, the new waste strategy and new in-cab technology will give an opportunity to restructure collection rounds and maximise their efficiency, to reduce the impact of the relocation. The depot will also be prepared for future electrification of parts of the fleet.

## 9. KEY RISKS

- 9.1 Any construction project will be subject to the risk of unforeseen costs, time delays and reduction in the quality of delivery. From inception, the project team has taken a proactive approach to risk management and has taken the time to understand and mitigate key risks whilst seeking to maximise opportunity where possible.
- 9.2 Risks to the quality of delivery have been mitigated by the development of a detailed contractual specification setting out the Council's requirements, The contractor has been selected through a rigorous open tender process to deliver the project of works pursuant to an industry standard JCT Design and Build contract and the contractor's contractual performance and quality of delivery will be monitored throughout the project. The Council has engaged a technical advisor to provide project management services to deliver the project including in respect of the tender process, costs management, project reporting, contract, and performance management and co-ordinating with the contractor and other professional services.
- 9.3 By taking a proactive approach, the project team has set realistic parameters in terms of potential changes to time and budget meaning that the costs and completion date presented within this report are risk adjusted. Key risks are presented below.
- 9.4 Materials Cost Inflation (cost) - The construction industry is currently experiencing unprecedented inflation in the cost of materials. Prior to confirmation of the preferred bidder, shortlisted contractors were asked to confirm their fixed price bid and that it shall remain valid until the point of tender award. Although this risk has been transferred to the contractor, the project team will work collaboratively with them to explore alternative materials and methodologies to lessen the impact of any future inflation.

- 9.5 Contractor Insolvency (time/cost/quality) - This would cause a potentially significant impact to project delivery time and cost but is mitigated by undertaking financial checks during the tender phase and payments being made based on monthly valuations of work by the consultant technical advisor. It is noted that the risk of sub-contractor insolvency is held by the main contractor
- 9.6 The tender process included the Council's detailed design requirements for the depot but there will be elements of the design and the Council's precise requirements which will need to be worked through before the "start on site".
- 9.7 Service delivery – there is a risk of some staff not wishing to transfer from the existing depot to the new site. This could present a risk to operational service delivery. However, this is mitigated by having early conversations with staff and payment of additional mileage – see section 7 of this report for further information.
- 9.8 The Clay Meadow Depot valuation assumes the site has the benefit of planning permission for residential development as mentioned above. Were the site to be sold without the benefit of planning permission the value may be reduced by a future purchaser pricing in "planning risk". The valuation factors in estimated site clearance and demolition costs, but there is a risk that site clearance is more expensive than assumed in the valuation.

## **10. CRIME & DISORDER IMPLICATIONS**

- 10.1 The current depot location at Claymeadow is susceptible to break-in and theft, resulting in two significant break-ins involving theft of equipment over the last three years. The new site will be much more secure by design.

## **11. ENVIRONMENTAL IMPLICATIONS**

- 11.1 The project is seeking to provide a development which meets the requirements of BREEAM Excellent. BREEAM is an abbreviation of 'Building Research Establishment Environmental Assessment Method' and is a sustainability assessment method that is used to masterplan projects and buildings. An 'Excellent' rating represents a sustainability performance in the top 10% of UK new non-domestic buildings.
- 11.2 A BREEAM rating is achieved by gaining a target amount of mandatory and optional credits. Targets fall under a variety of categories such as management, transport, waste, energy and water efficiency, thermal performance and health and wellbeing.
- 11.3 The assessment encompasses every stage of the development's lifespan, from inception through to demolition. Credits can be gained, for example, by utilising locally sourced construction labour and providing training opportunities; specifying and constructing with locally sourced materials that can readily be recycled at end of use; incorporating energy efficient lighting and heating systems (fittings and controls); controlling construction waste by reusing demolition materials onsite and separating waste streams for recycling thereby minimising materials going to landfill.
- 11.4 This development proposes the use of solar PV roof panels for local power generation – this will reduce emissions and the cost of energy. There will also be the use of permeable paving to reduce the amount of surface water being returned to drain with natural planting around the perimeter of the site providing a green backdrop and natural screening, all of which should provide BREEAM credit.

- 11.5 To benefit from the chosen contractor's experience, the scheme has been tendered as design and build so the detailed design and extent of the environmental measures to be incorporated have yet to be fully defined. The project team propose appointing a retained BREEAM specialist to work with the contractor and ensure the ambition to achieve BREEAM Excellent is achieved.
- 11.6 As highlighted in 8.3.2, the operational vehicle mileage may increase once the relocation has occurred. However, moving to the new depot will be an important enabling factor for the Council's waste strategy, which itself will help the New Forest reach a recycling rate of 55%+ once service changes are made.

## **12. EQUALITY & DIVERSITY IMPLICATIONS**

- 12.1 The Hardley depot will be fully compliant with all relevant standards for accessibility, it is a requirement of the contract that the design and construction comply with Part M of the Building Regulations, all relevant disability guidance from the Centre for Accessible Environments, BS8300 and the Disability Discrimination Act. This will offer improved levels of access for staff and visitors to the site.
- 12.2 Staff rest and welfare facilities have been designed with diversity in mind, with staff engaged on the best mix of facilities to meet current and future need.

## **13. DATA PROTECTION IMPLICATIONS**

- 13.1 Requirements for storage of physical or electronic data at the Hardley Depot will comply with the council's corporate policies on General Data Protection Regulations.

## **14. NEXT STEPS AND GOVERNANCE ARRANGEMENTS**

- 14.1 Following Council approval to proceed, the construction contract will be entered into, and the contractor will be notified that they may commence project mobilisation.
- 14.2 After a period of additional survey work and detailed design and planning it is expected that the contractor shall mobilise to site within twelve weeks of award. It is anticipated that construction of the development shall take in the region of 58 weeks and be complete by the end of 2024.
- 14.3 The Waste Programme Board is the Board overseeing the Hardley project, waste strategy, and Operations ICT project. Its membership consists of three members of EMT and three members of Cabinet. It will act as the Project Board for this scheme and will set out parameters for a smaller project specific steering group to work within to manage the development and make decisions as required through the mobilisation and delivery process. This Steering Group will be led by the Strategic Director for Corporate Resource and Transformation. Regular progress reporting shall be maintained via the issuing of monthly reports and through regular Waste Programme Board Meetings. It is also intended to deliver ad-hoc updates to Overview and Scrutiny as the scheme progresses.

## **15. CONCLUSIONS OF THE WASTE PROGRAMME BOARD**

- 15.1 The current Claymeadow depot is not fit for purpose in the longer term, with neither the capacity nor the current facilities being suitable for the Council's needs. A 2021 review of overall depot provision recommended that a site at Hardley be utilised as a



replacement for the current Claymeadow site. This new depot will be an important part of the modernisation of operational services.

15.2 The Hardley site is owned by the Council and received planning permission in February. Since then, a compliant tender process has been carried out and a preferred bidder identified. Including non-contract costs, as well as capital receipts to offset some of the cost, this will lead to a total budget of £7,800,000.

15.3 There will be 93 posts affected by this relocation, and the council will financially support additional travel costs for a 1-year period. The new depot will have improved facilities for the benefit of all staff.

15.4 The Waste Programme Board supports the proposal to proceed with the project, as outlined within the report.

<p><b>For further information contact:</b></p> <p>Chris Noble Assistant Director – Place Operations 023 8028 5389 chris.noble@nfdc.gov.uk</p> <p>Andrew Smith Estates and Valuation Service Manager 023 8028 5123 Andrew.smith@nfdc.gov.uk</p>	<p><b>Background Papers:</b></p> <p>Planning Committee Report, February 2013 - <a href="http://newforest.gov.uk">Hardley Plan.pdf (newforest.gov.uk)</a></p>
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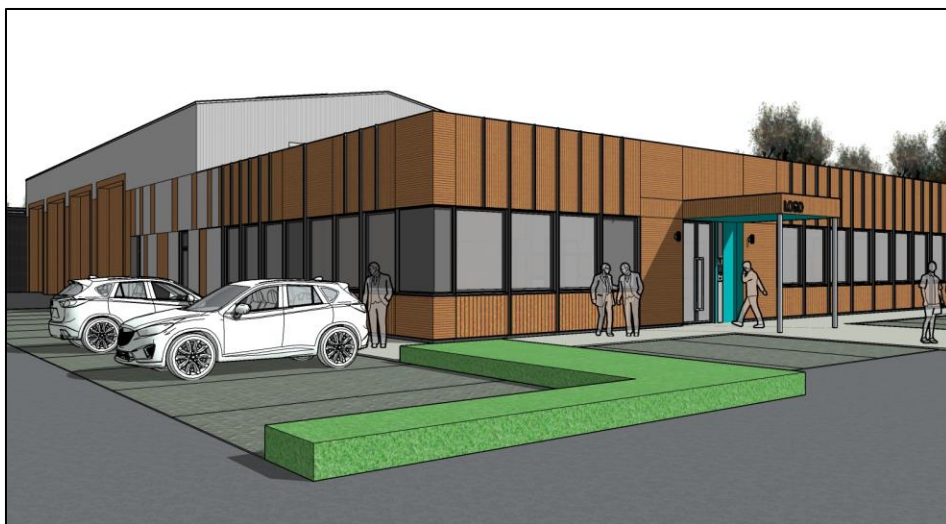
Appendix 1 - Clay Meadow Depot Plan



## Appendix 2 - Site Plan Hardley Depot and artists impressions



**Site plan**



**Corner view**



**View from Access Road**



**Elevated view**