

Item No. 18.	Classification: Open	Date: 11 December 2018	Meeting Name: Cabinet
Report title:		New Depot	
Ward(s) or groups affected:		Old Kent Road	
Cabinet Members:		Councillor Victoria Mills, Finance, Performance and Brexit, and Councillor Richard Livingstone, Environment, Transport Management and Air Quality	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT, AND COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR ENVIRONMENT, TRANSPORT MANAGEMENT AND AIR QUALITY.

We are incredibly proud of the work done by our front line staff and have a commitment to bring more services under the direct control of the council where this is the right thing to do. We are also aware that our existing depots are poorly designed, cramped and not really fit for purpose. This situation worsened recently when we brought the housing repairs service for the whole borough in-house.

We have an aspiration to bring even more services in-house in the future and to be in a position to sell our services to others as this will generate new income streams and help us avoid the need for further budget reductions.

After two years of searching, we believe we have a viable site for a new centralised depot. This report seeks funding to build the depot and agreement on the location. It also makes clear that the creation of a new depot will actually result in a financial benefit to the council as we will be able to sell the current depot sites as they are vacated.

In summary, we will be able to provide good accommodation for our front line staff, the site will allow services to expand in future years and the council will gain financially as the sale of vacated depots will more than off-set the cost of providing a new site.

RECOMMENDATIONS

Recommendations for the Cabinet

1. That the Cabinet note the preparatory work done to date on providing a new depot for the council's in house services and approve in principle the proposal to develop this as set out in paragraphs 14, and 16-20 of this report.
2. That the Cabinet note the estimated cost and timing of the proposal and approve the inclusion of this sum in the capital programme as set out in paragraph 24 of this report.
3. That the Cabinet instruct officers to report back to Cabinet for approval of the project once the legal and financial terms have been negotiated and before the planning application is submitted.

Recommendation for the Leader of the Council

4. That the Leader delegate to the cabinet member for finance, performance and brexit, in consultation with the cabinet member for environment, transport management and air quality, the approval of the revised business case and a detailed project initiation document setting out the governance, workstreams and timing of this project.

BACKGROUND INFORMATION

5. The council's traded services division and the head quarters of its cleaning and grounds maintenance teams operate out of three separate depots at Sandgate St, Frensham St and Copeland Rd. It also uses a site at Latona Road to store grit to support the winter services.
6. These depots contain office accommodation, stores, workshops and parking for the council's operational fleet, and very limited staff welfare facilities. The depots are all old, with poor staff facilities and old fashioned office space that does not meet the council's standards for the rest of the workforce, and in the case of Sandgate St, is now extremely crowded. The buildings are not energy efficient.
7. In November 2016 a report entitled 'Implementation of the Modernisation Programme' was taken to Cabinet. The report noted that there are still a number of ageing buildings across the borough housing front facing services that can no longer be accommodated within our existing model. The report made reference to the new depot when outlining the workplace strategy and stated that in order 'to meet the challenges ahead, modernise the way that we work and streamline with the workforce and IT strategies across our whole estate, a review of our office accommodation model is necessary. Initially shaping and trialing the model at the new site we will look to reflect developments back in Tooley Street and the existing Queens Road sites. We will also review consolidating our depots into one 'super depot'....'
8. The Cabinet decided in March 2018 to bring the repairs service provided by Mears in the south of the borough back in house from October 2018. Space has been made at Frensham St for the additional office space needed for the staff to provide this service, but both this and the council's ambitions to continue to provide services in house and to expand those where possible to generate income will continue to provide further stress on the capacity and quality of the existing depots.
9. In addition, the services mentioned have in the past operated within silos, in different management structures and with different brands, uniforms, processes and practices. In order to reduce costs, improve quality and enable the services to deliver a strong brand that enables them to compete for external business, it is recommended that the council improves efficiency to reduce duplication and to encourage a one council culture.
10. The operation from three separate sites and the three buildings does not provide a conducive working environment for staff, hampering collaborative working and preventing appropriate co-location with colleagues across services. We have already seen the benefits of cross council working for office-based staff located

in our modern buildings in Tooley Street, the Queens Road 1, 2 and 3 buildings and the Peckham Customer Centre. The development of the new depot provides an opportunity to realise these benefits for more of the council's workforce. Our frontline staff deliver services which have a significant impact on the quality of life of our residents borough-wide, and a modern, well-equipped base for them to operate from can only improve their ability to deliver excellent services.

11. The development of the building is just one part of the change process and staff will be supported to review and improve their ways of working by working more closely together, making sure that management and learning and development opportunities are consistent and access to technology is easier. In addition, opportunities will be maximised to streamline processes to improve the overall quality of service delivery and the experience for residents.
12. The current depots occupy sites which are close to residential housing or form part of the Old Kent Road and Peckham and Nunhead area action plans. In accordance with these plans and the emerging New Southwark Plan, development of the existing sites, should the new depot be provided, would be likely to comprise:
 - Latona Road (current grit store): A mix of uses including workspace, yard area and residential homes.
 - Frensham Street: A mix of uses including residential homes, a non residential use such as workspace or educational use, to be determined, and park space contributing to the new Surrey Canal Park.
 - Sandgate Street: Identified in the draft Old Kent Road AAP for a new secondary school.
 - Land adjacent to Rich Estate, Devon Street: Mixed use scheme comprising light industrial and residential uses.
 - Copeland Road: A mixed use scheme comprising employment space, potentially including re-provision of the bus garage, and new homes.

KEY ISSUES FOR CONSIDERATION

13. In order to address the issues set out above, officers have been looking at whether it is feasible to combine the three depots, possibly with the grit store, in one new depot. In doing this, officers have been mindful of the need for any future land use to fit with the council's aspirations for the borough as set out in the draft New Southwark Plan and the Old Kent Road Area Action Plan, so the search for an appropriate site has concentrated on areas which are and will continue to be zoned for light industrial use.
14. The site proposed for the new depot is the building which currently accommodates the Household Waste Reuse and Recycling Centre (HWRRC) This is more commonly known as the public recycling centre where residents are able to bring waste that does not fit in their normal waste receptacles. and forms part of the council's Integrated Waste Management Facility (IWMF), located off the Old Kent Road. Appendix 1 contains a site plan identifying this location.
15. A number of other potential sites for the new depot, including those listed below, have been examined. However, with the exception of the public recycling centre, none have been of sufficient size and shape to accommodate service needs.
 - Gasworks land owned by the council – the site is constrained by the access

road which runs through it and on-site gas infrastructure. The resulting development plots would not accommodate efficiently shaped depot buildings. The adjacent gasholder land and the access road through the gasworks will be used for the construction of the London Power Tunnels projects which is programmed to complete in 2026.

- Copeland Road - Copeland Road is the largest of Southwark's existing depot sites. However, it would not be large enough to accommodate the new depot.
 - IWMF car parks – the council explored the possibility of developing in the car parks which would avoid the need to relocate the public recycling centre. However, the implications for insurance and the impacts of the proposal on the operations of the IWMF were considered unacceptable by Veolia (see paragraphs 19 to 20 below).
 - Cantium Retail Park – the new depot would not be compatible with the development of a high density mixed used development, which includes a public park, in an emerging town centre location.
16. The existing public recycling centre building is a very large three storey steel framed industrial building. The height of this building and the volume of space within, is significantly underused and there is an opportunity to use this asset more effectively. A feasibility study has been prepared by Hale Architects which shows that it would be possible to accommodate the new depot over three storeys within this space.
 17. This can be achieved by relocating the public recycling facility to an alternative site (see paragraph 23) and would provide the ability to construct a double height workshop with yard access, external covered storage, covered parking for some vehicles, internal deck for smaller vans and trailers, internal storage, office spaces and operative welfare facilities. A capacity study has been completed which confirms that the existing space will provide the required area to accommodate the Depot, including some space for expansion.
 18. A detailed Fire Strategy will be designed to ensure that the space complies with the relevant codes of practice including the provision of sprinklers and with fire separation between the council depot and the adjacent IWMF. This will also be required to satisfy any requirements from both the council's insurers and Veolia's insurers, as outlined in paragraphs 30 and 31 of this report.
 19. Prior to this option, an alternative was considered, that consisted of a new three storey depot wrapping around the existing IWMF building, including a steel framed mezzanine deck to be inserted into the public recycling facility and accessed from the existing ramp within the facility. This would provide some parking for operational vehicles and first floor servicing access into the new depot building. This option would not impact on the existing services provided within the waste facility but created a number of risks and dependencies, including significant highway works to accommodate the required vehicle movements, as well as the need to relocate an existing gas main.
 20. Despite these challenges, the option was considered feasible and would provide the required volume of accommodation to provide the new facility. However, this option was not welcomed by Veolia who had concerns regarding the insurance implications of the proposed set up, and therefore would be unwilling to approve this option. Subsequently, the option to utilise the existing public recycling centre for the new depot has been supported by Veolia and it is therefore

recommended that this option is progressed. This option also provides a higher volume of space and is of lower capital cost since it involves making better use of an existing structure.

21. By providing the new depot here, there are a number of benefits:
 - The site would be large enough to bring the services run from the three depots together with enough flexibility to make efficiencies in the way the services use their space but also provide room for potential future growth
 - The current sites would be freed up completely for appropriate development, with capital receipts generated that are predicted to more than cover the cost of the new depot (see business case below)
 - Staff welfare facilities would be improved, not only supporting current staff but helping with recruitment, and further work will be undertaken to see whether this will also assist in upgrading facilities for Veolia staff
 - A new depot will improve the carbon footprint of the depot estate, and the proximity to the Veolia site will enable the council to consider improving the sustainability of the fleet alongside future improvements by Veolia.
 - There is a potential to expand the options for a greener fleet, by increasing the number of electric vehicles the council uses as charging points can be made available and by looking at other options for fuel supply
 - The site is in the middle of the borough, with good links for the operational staff to reach the whole of the borough where they work and future improvements to transport proposed
 - Many of the council's trucks have to visit the site to off load at the end of the day already so basing them there, reduces travel time.
22. The preliminary work done to date shows that the provision of a depot here is feasible and the disposal of the former depot sites will generate sufficient capital to fund the new building.
23. The proposal would displace the public recycling centre. This facility comprises storage bays for a number of waste and recycling streams which are accessed by vehicles from a ramp. Officers are working on options to provide an alternative site for the public close to the existing facility.
24. The cost of the new depot is approximately £25m, including all construction, fit out, highways and associated works, including costs associated with re-providing the public recycling centre. Officers are currently undertaking further feasibility testing to explore the way in which the depot would be constructed, the impact on the Veolia operation and how these can be mitigated. A phasing and logistics plan, which includes a thorough assessment of the required enabling works, is also being prepared to ensure that the costing of the new depot is robust.
25. The detailed business case for the depot is currently being updated. Officers are proposing that the capital cost of the depot is funded through the disposal for redevelopment of the council's existing depot sites.
26. The business case will also need to take into account revenue implications of the new depot. This will include the need to lease the land for the new depot from Veolia and also giving up the existing lease on the Sandgate Street depot on which the council currently pays rent. In addition provision will need to be made for any operational implications from moving the public recycling centre and professional fees relating to the project. It will also cover the costs associated

with the reconfiguration of various parts of the IWMF that are required to allow the depot to be constructed whilst allowing Veolia to continue to operate efficient waste and recycling operations on the site

27. The new depot is proposed on land which is leased to Veolia until 2033 and the council will need to negotiate a commercial lease for the new depot. In addition the council's waste management contract, which included the construction of the integrated waste management facility was procured through a private finance initiative (PFI). The term of the PFI contract also extends to 2033 and utilising the land for a depot will require the consent of the PFI funders which in this case are DEFRA and Veolia.
28. Initial discussions with DEFRA have indicated that securing consent should be achievable, providing the waste capacity and operational integrity of the facility is not reduced or compromised. Preliminary discussions have also taken place with Veolia who have indicated they are open to a proposal to locate the new depot in the existing public recycling centre. It is important to note that agreement with DEFRA and Veolia will be required before construction can commence.

Identified risks

29. The following high level risks have been identified. As part of the detailed project implementation the council will follow its risk management processes to identify and monitor detailed risks which will be reported through the project governance.

RISK	RISK LEVEL	MITIGATION ACTION
Local objections to the project.	Medium	Consultation with relevant stakeholders will take place.
Formal agreement with Veolia and DEFRA not achieved within the proposed project timescales	Medium	Early consultation with Veolia and Defra to date has been positive. Close working will be maintained with both partners. Negotiation process to be managed closely and appropriate allowances to be made in the project budget.
Design presents high level Third Party risk resulting in insurance and cost implications	Medium	Detailed Fire Strategy to be developed in consultation with Veolia, ensuring that the space complies with the relevant codes of practice including the provision of sprinklers and with fire separation between the council depot and the adjacent IWMF. This will also be required to satisfy any requirements from both the council's insurers and Veolia's insurers. Ongoing consultation with the council's insurers required, to ensure that all requirements can be met (see paragraphs 30 and 31 of this report)

Insurance implications

30. Initial consultation with the council's insurers, Zurich Municipal, has indicated that, in principle, they can consider providing cover subject to further discussions and the incorporation of various fire protection measures and risk management precautions. This site would likely attract additional terms reflecting the exposure to the adjoining third party risk. The council will look to incorporate any requirements of the insurers within the project proposals to ensure that the risks can be effectively managed and the best deal sought for the council.
31. Waste facilities are generally considered high risk operations by the insurance market and whilst from a risk management perspective an alternative site might be preferred, as outlined in paragraph 13 of this report, a number of alternative sites that could be available have already been considered and not deemed suitable and would be more expensive for the council to construct. Details of these will be provided to insurers so they can complete their assessment. Further to this, the feasibility designs that have been produced showing the use of the public waste and recycling facility demonstrate that the space can accommodate the required spaces and provides a central location in the borough for providing these services. The new design will need to ensure that the proposed condition in terms of fire safety will not be any less satisfactory than the existing, therefore minimizing additional third party risk.

Policy implications

32. The strategy to provide a new depot facility supports our overall priority to be a council that is fit for the future, as set out in the refreshed council plan 2018-2022. In particular, it will support the commitment to bring our repairs service in-house by providing a good quality and efficient space for our workforce. It will also support the ability for the council to meet its income targets for growing services that are provided from the new depot such as commercial waste. The delivery of the programme is identified in the respective workforce, workplace and IT strategies.

Community impact statement

33. The existing depot buildings (as detailed in this document) are dated, with poor staff facilities, old fashioned office space that do not meet the council's standards for the rest of the workforce, and in the case of Sandgate St, is now extremely crowded. The buildings are not energy efficient. The new building would be designed in discussion with staff and service users to create appropriate, good quality service accommodation, that provide flexible, accessible and modern working and practical spaces. These would be designed through detailed consultation and engagement with both service users and staff.
34. A full equality impact assessment will be produced as part of the project initiation document and monitored throughout the course of the project.

Sustainability Impact

35. Consolidating three inefficient, energy intensive depots, in to one energy efficient site will have a positive impact on the council's carbon reduction target which will also have a financial benefit towards the council's carbon reduction commitment. The new depot will have a positive impact on air quality through less overall emissions, and also have a beneficial impact on the emissions from travel.

36. The new depot's carbon footprint will rely on factoring in sustainability as a core part of the design process. This will need to focus on the building design, heating, lighting, energy, water and waste requirements. The sustainability team will offer guidance throughout this part of the process when required.

Resource implications

37. Paragraphs 9 – 12 and 25 - 27 of this report set out the resource implications of this project. It is worth noting that the proposals will cause the existing portfolio of older buildings to be replaced with a new, modern facility that is better suited to accommodating staff, and modern more efficient ways of working.
38. As outlined in paragraph 27, there would also be likely impacts on the existing PFI Agreement as a result of the changes to the existing contract. Any impact will be assessed as part of the contract negotiations with Veolia.

Consultation

39. The proposals will be subject to the decision making arrangements of the council's planning process, including consultation with the relevant statutory consultees. Consultation will also need to be carried out locally ahead of this, along with engagement with end users during the briefing and design process.

Financial implications - summary

40. The total costs of the proposed new depot is currently estimated at £25m which includes the costs of construction, fit out and associated costs with the re-provision of the public recycling centre.
41. The current three depot sites used by the services are a combination of General Fund (GF) and Housing Revenue Account (HRA) properties (Sandgate –GF, Copeland Rd and Frensham St- HRA). Once vacated, these sites will be available for appropriate development, generating capital receipts for the council which is currently estimated to exceed the capital costs of £25m for the new depot mentioned above.
42. There will be legal, professional and other associated costs in progressing this project and will be included in subsequent report for approval.
43. The proposed site for the depot is currently leased to Veolia until 2033 under the current PFI arrangement with the council and therefore a commercial lease will need to be arranged with Veolia for accommodating the proposed depot on the site.
44. The proposal may require approval from DEFRA and Veolia (the PFI funders) which will be confirmed as part of this project.
45. In addition to the operational cost of the new depot, provision will also need to be made for any additional revenue costs incurred by Veolia due to the relocation of the public recycling centre.
46. The potential impact of this proposal on the current PFI arrangement with Veolia is being negotiated and will be confirmed as part of this project.

47. The proposed consolidation of the current three depots into one depot is expected to generate operational efficiency, streamline processes, promote collaborative working and support the council to deliver excellent services.
48. All of the above will be updated and incorporated within a detailed business case for approval before commencement of the project.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

49. This report asks the Cabinet to note/approve a number of matters in relation to a new depot, as further detailed in paragraphs 1-3, and for the leader to delegate the approval of the business case and PID for the depot to the relevant cabinet members. There are no specific legal implications in relation to the proposed recommendations. Officers from legal services will assist the project team as the project develops, particularly in relation to variations to the PFI agreement and the lease to Veolia, and will advise further when the final terms are brought back to cabinet for approval.

Strategic Director of Finance and Governance (FC18/025)

50. This report is requesting cabinet to note the preparatory work carried out to date in providing a new depot for the council's in house services and approval to develop the proposals as set out in this report.
51. The report is also requesting cabinet to note and approve the estimated cost of £25m for the proposed depot for inclusion in the council's capital programme.
52. The strategic director of finance and governance notes that a number of alternative sites have been examined as part of this project and the proposed site for the new depot within the Integrated Waste Management Facility (IWMF) is the preferred option after consideration of all factors. Full details are provided within the main body of the report.
53. The strategic director of finance and governance notes that the proposal will vacate the current three depots used by the services for appropriate development which is estimated to generate total capital receipts in excess of £25m for the council.
54. The strategic director of finance and governance notes that there will be revenue implications arising from this proposal upon implementation, and once confirmed, this will need to be incorporated within the council's budget setting process.
55. The capital cost of £25m for the proposed depot will be added to the council's capital programme once approved by cabinet.
56. The strategic director of finance and governance notes that a detailed business case considering all the factors from this proposal will be submitted for cabinet approval before submission of planning application for this project.
57. Staffing and any other costs connected with this report, in progressing the project further, at this stage, will need to be contained within existing departmental revenue budgets.

Head of Procurement

58. This report seeks Cabinet to note the preparatory work in the new depot and to approve the development of the next stage of this for the new depot for the council's in-house services. Whilst there are no direct procurement implications of this report, procurement support and advice will be sought as needed in relation to the current PFI contract and for any potential development that will be the subject of separate gateway reports that come from the development work.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Proposed site plan

AUDIT TRAIL

Cabinet Members	Councillor Victoria Mills, Finance, Performance and Brexit, and Councillor Richard Livingstone, Environment, Transport Management and Air Quality		
Lead Officer	Deborah Collins, Strategic Director of Environment and Leisure		
Report Author	Ian Smith, Director of Environment		
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Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Director of Law and Democracy		Yes	Yes
Strategic Director of Finance and Governance		Yes	Yes
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