



meeting **COUNTY COUNCIL**

date **29 MARCH 2007**

agenda item number

## **REPORT OF THE CABINET MEMBER FOR FINANCE & PROPERTY**

### **PROJECT TO RATIONALISE HIGHWAYS DEPOT FACILITIES IN THE NORTH OF THE COUNTY**

#### **1. Purpose of the Report**

##### 1.1 The purpose of the report is

- to inform Council of proposals to rationalise highway office and depot facilities in the County
- To seek approval to progress with the appointment of project management and design resources as necessary to progress the project through outline and detailed design, planning approval and implementation.
- To seek approval to the funding of the project including the disposal of highway - related property at Newark, Southwell, Mansfield, Rolleston Drive, Cuckney and Ollerton.

#### **2. Broad Outline of Main Proposals**

2.1 The highways depot proposals identified within this report are seeking a variation of more than £2 million to the capital programme. A decision regarding a variation greater than £2 million needs to be taken by Council as outlined in the Budget Report approved by Council on 22<sup>nd</sup> February 2007. The business case for the original project of relocating Highways staff into a new single northern location was agreed in 2003 and was supported by a capital funding commitment of £4.0m. The revised and updated business case for the current proposals was scored by CAMG at its meeting on 26th September 2006

2.2 The proposals broadly comprise the disposal of assets at six separate sites, the construction of one new depot and one small sub-depot facility and the release of additional leased and owned office property. The elements are:

- Disposing of substantial highway depot assets at Newark, Southwell, Mansfield, Rolleston Drive, Cuckney and Ollerton.
- Releasing leased office facilities at Etwall House, Sutton in Ashfield.
- Providing a new major operational depot facility at Bilsthorpe to accommodate vehicle workshop and highways operational functions currently operating from facilities at Rolleston Drive, Mansfield, Southwell, Newark (part), Cuckney and Ollerton.
- Providing a new small sub depot facility in the Newark area to maintain a limited geographically targeted operational presence and a winter maintenance facility.
- Relocating the highways training centre from Southwell Depot to a leased facility at Newark Showground.
- Retaining the Retford highways depot pending future investigations into the cost and other benefits of co-locating onto a site at Bellmoor quarry or to another suitable site whilst releasing the office facility located at the Retford depot.
- Providing a leased small workshop facility within the Nottingham City boundary if required for existing contracts when the main vehicle workshops at Rolleston Drive are vacated.

2.3 As well as the disposal of the highway depot and offices at Newark and the release of leased offices at Etwall House the office buildings at Retford Depot will also be vacated and the highways technical and administrative staff who are based at those sites will be relocated to the proposed area offices at Sherwood Energy Village in Ollerton. In addition to northern based staff some additional staff will transfer to the new northern office from other highways offices to reduce space pressures.

2.4 The numbers of staff to be co-located at the Ollerton Area Office will be finally determined at the time of transfer but it is envisaged that the staff numbers will be between 100 and 115. This includes an allocation of 24 posts for other divisional staff currently co-located at existing depots namely Road Safety with 16 posts (ex Transportation Division) and 8 posts from Business Support (Resources and Development).

2.5 The proposed Ollerton area office is being separately progressed by Corporate Property as it would be used for a number of Services in addition to Highways, and does not form part of this report. Provision of this facility does however form an essential part of the overall highway proposals.

### **3 Historic Information**

3.1 The project originated from work undertaken from April 2003 by consultants "Gleeds" (as a result of the restructuring of the Highways Division) to investigate opportunities to establish a new combined depot and office facility to serve in the North of the County. The initial consultant's report was developed, by July 2003, into a project brief for a northern area highways depot and flagship office facility for which a capital funding commitment of £4.0m was agreed in support of the anticipated receipts of £2.18 m from sale of specific

depots. The original project was to co-locate both a flagship office and main depot operational facilities onto a single site.

- 3.2 A search and evaluation of more than 40 potential sites was carried out and in February 2004 a brief was prepared for a site at Mickledale Lane Bilsthorpe. A project group was established in May 2004 to process the development of the project to outline planning permission stage and Vincent and Gorbing (planning consultants) were appointed in July 2004 to submit planning applications. Detailed project development work subsequently identified site access problems that would require the acquisition of third party land and the need for major junction improvement works to the A614 that were estimated at £800,000. By February 2005 meetings with the third party land owner had confirmed that the necessary acquisition could not progress by agreement and the Mickledale Lane site was formally abandoned. The initial estimate for providing a combined northern depot and office facility on the Mickledale Lane site was £7.5m excluding land, furnishings and equipment which therefore substantially exceeded the available budget
- 3.3 From February 2005 the project team concentrated on developing a proposal for land at Rainworth which was already within the ownership of the County Council and in March 2005 Vincent and Gorbing were appointed to prepare the planning application. An extensive range of surveys (noise, ecology, hydrology, transport assessment, landscape strategy etc) and basic project design work was undertaken between March 2005 and February 2006 to provide supporting data to address difficulties envisaged with the planning application process. This included investigation by Vincent and Gorbing of a further twenty four alternative sites and culminated in February 2006 with a public consultation exercise at Rainworth. By February 2006 the necessity to support any planning process with costly landscaping, traffic management and enhanced building treatments resulted in a project estimate of £9.2m which was £3m over the available budget. Despite all efforts to prepare an acceptable application for this site there remained grave concerns regarding the cost and regarding the feasibility of developing proposals that could justify, in planning terms, locating the proposed development on land that is identified in the adopted Mansfield Local Plan as protected open countryside.
- 3.4 The work undertaken for the Mickledale Lane and Rainworth sites identified that the original budget provision of £6.2 m was on its own insufficient to support a viable business case and further consideration needed to be given to identifying a project that could deliver further funding from current highway depot disposals.
- 3.5 The work undertaken by Vincent and Gorbing identified that, after consideration of in excess of fifty sites, there was little chance of securing a single site in the required geographic area that could jointly meet the differing and demanding criteria for flagship office accommodation and a working operational highways depot.
- 3.6 It has therefore been necessary to revisit the project in light of the operational and office requirements, site availability, the capital assets involved and

(particularly) the development of a major new County Council office facility in the Ollerton area. This has led to the development of the current proposals which separate the front line main operational depot and vehicle workshops from the major office-based service providers to separate sites best suited to their specific needs (Bilsthorpe Colliery and Sherwood Energy Village respectively) but which are geographically sufficiently close to ensure overall effective operational control and efficiency.

#### 4 **Capital financial considerations:**

- 4.1 The full capital benefits of the proposals will be realised when other in-house service providers vacate Rolleston Drive, but the planned relocation of the central workshop function (50% of Rolleston Drive site area) to the new Bilsthorpe Depot will be a major step in enabling the asset potential of the Rolleston Drive to be released.
- 4.2 No provision has been made within the project to cover the initial cash flow requirements resulting from the necessary construction works prior to disposal of the various assets. There may however be potential to move the Highways training centre from Southwell Depot to Newark Showground at an early stage of the overall programme which will enable the disposal of the Southwell Depot to proceed if desired.
- 4.3 The financial projections given in this report incorporate the original 2003 commitment to provide capital funding of £4.0m.
- 4.4 Whilst the front line highways depot function is being retained at Retford pending investigation of longer term partnering and other options, the Retford based office staff will where appropriate be co-located to the proposed area highways office at Sherwood Energy Village. This will enable some rearrangement of the Retford depot area site to release additional revenue. At this stage this potential additional revenue has not been factored into the financial calculations for the project.
- 4.5 These proposals do not include any capital contribution to the Ollerton Area Office proposal which is the subject of a separate report.
- 4.6 The overall financial considerations of the proposed office and depot changes are as identified in table 4.7 below.

Table 4.7.

Capital Receipts	As detailed in table 5.2	£10.473m
Capital Expenditure	As detailed in table 6.3	£10.473m
Seven year Revenue saving	As detailed in table 7.3	£0.268m

#### 5. **PROJECTED CAPITAL RECEIPTS**

- 5.1. Table 5.2 below identifies the capital receipts that have been projected by Corporate Property for the assets identified in this report. The valuations were given were at November 2006 and are deemed to accommodate any decontamination requirements other than initial decontamination survey costs for which a separate sum is budgeted (6.3.4 of this proposal).

Table 5.2

Item	Description	Projected Receipt
a	Sale of the area of Rolleston Drive currently utilised for central and plant workshops, stores, support offices, parking and access. The projected sale value equates to 50% of net capital receipts that will be realisable for Rolleston Drive when it is fully vacated	£2.75m
b	Sale of whole of current Newark upon Trent highways depot at Kelham Road.	£2.50m
c	Sale of 70% of current training centre and operational depot at Southwell.  <i>Note 30% of the site is currently protected for the Southwell By-Pass scheme. This may change which would enable further capital receipts (£0.30m) to be realised.</i>	£0.70m
d	Sale of sub-depot at Cuckney (valuation assumes no residential planning permission).  <i>Note if residential planning permission were achieved for this site then the sale value would increase by £0.42m).</i>	£ 0.08m
e	Sale of Rosemary Street Workshop at Mansfield.	£0.11m
f	Sale of land at Ollerton.	£0.08m
g	Original 2003 funding Commitment.	£4.00m
h	Savings in contingency provisions / contribution from Direct Services reserves	£0.253m
	Total Projected Receipts	£10.473m

## 6. PROJECTED CAPITAL EXPENDITURE

- 6.1. The capital expenditure requirements are as shown in the table 6.3 below. The projected expenditure is subject to detailed site investigation and final design criteria for the sites. Project management and design fees and a sum for contingency reserve have been included and a provision has been made for inflation on budgeted construction costs.
- 6.2. The projected capital expenditure makes no allowance for a contribution towards the capital requirements for the proposed new shared County Council office facility on the Sherwood Energy Village in Ollerton

Table 6.3

Item	Site	Element	Projected cost
<b>6.3.1 - Land Acquisition</b>			
a.	Bilsthorpe depot facility - land	Land 3.7 Hectares needed at £0.25m per Hectare	£0.930m
b.	Newark sub depot facility - land	Land 0.3 to 0.4 Hectares needed at £0.3m /Hectare	£0.120m
Total project expenditure – site acquisitions			£1.050m
<b>6.3.2 – Construction</b>			
a	Bilsthorpe depot facility - construction	Structures, site works, contractor preliminaries	£5.910m
b.	Newark sub depot facility - construction	Structures, site works, contractor preliminaries	£0.650m
c	Essential works at retained depots including salt barn at Markham Moor	Some works will be required at the retained depots and sub-depots to accommodate the changes in the northern area operations. Main costs relate to the provision of a salt barn and two additional garages at Markham Moor	£0.376m
d	Training Centre	conversion of existing Glider Club buildings at Newark Show ground to form new training centre	£0.170m
Total project expenditure – construction			£7.106m
<b>6.3.3. - Equipment and Furnishings</b>			
a	Bilsthorpe depot facility – equipment and furnishings	Vehicle workshop equipment, stores racking, fuel system + tanks, CCTV, accommodation furnishings / equipment, floodlighting, vehicle wash unit, IT and communication equipment. Including costs of moving equipment from existing vehicle workshops..	£0.310m
b	Newark sub depot facility – equipment and furnishings	Sundry fixtures, furnishings, equipment and IT and communications equipment	£0.056m
Total project expenditure – equipment and furnishings			£0.366m

6.3.4.- Fees and Contingency			
	Contingency - decontamination	Reserve for investigations on sites for possible contamination (none known at present).	£0.150m
	Fees - Overall site development	Fees including overall site design, building design, project management, planning processes and associated technical support.	£0.620m
	Fees - Construction, utilities and infrastructure	Project management fees relating to the civil engineering and infrastructure elements of the project	£0.110m
	Construction Contingency	Abnormal site conditions, utility problems and lack of detail at this proposal stage with respect to new construction	£0.310m
	Fees to date	Cost of fees to date on NAHO investigation and development work undertaken since July 2003 and charged against previously allocated project funding of £4m.	£0.150m
Total project expenditure – fees and contingency			£1.340m
6.3.5 Inflation Provision			
	Inflation provision	Inflation provision (8.6%) to cover inflation on the prime construction costs (6.3.2 above) from July 2006 when the initial estimates were prepared to September 2008 the projected project completion point	£0.611m
Total project expenditure – Inflation Provision			£0.611m
Total Projected Expenditure			£10.473m

N.B. Negotiations are ongoing with the site owner for the acquisition of a 99 year leasehold interest - terms are not yet agreed but may involve payment of a premium at commencement of the lease and a rental payment throughout the term of the lease, rather than a one of initial payment off the full value. Precise figures are not yet known.

## 7. PROJECTED REVENUE IMPLICATIONS

- 7.1. There will be both short term and long term revenue implications associated with the project. Revenue implications have been investigated and costed in detail but final adjustments will be needed when there is more clarity over the timetable for disposals and new construction and the status of external vehicle workshop contracts at the time of the relocation of operational services from Rolleston Drive. Negotiations are ongoing for the acquisition of the new depot site at Bilsthorpe Colliery which will involve the acquisition of a 99 year leasehold interest which may involve payment of a premium at commencement of the lease and a rental payment throughout the term of the lease, rather than a one off initial payment of the full value. Precise figures are not yet known.
- 7.2. A seven year detailed projection on revenue costs and benefits was presented to CAMG for project evaluation purposes and the presented costs and benefits are summarised in Table 7.3 below.

### Table 7.3

	Revenue saving	7 year projection
a	Utility costs savings from occupancy of modern property with greater energy efficiency	£318,214
b	Maintenance savings from occupancy of new and improved depot property	£225,000
c	Savings on plant utilisation through co-location of working gangs to Bilsthorpe	£93,408
d	Salt stock cost savings from provision of covered storage	£439,495
e	staffing costs savings by co-locating office functions	£484,610
f	Savings on inter-depot travel through co-location	£224,000
g	Fuel cost savings from provision of electronic pump control systems.	£56,000
h	Savings to theft and vandalism of plant and vehicles from improved security systems.	£217,000
i	Increased training centre revenue through relocation to more suitable premises.	£140,000
j	Savings in support costs from sharing a large serviced office facility	£56,000
	Total projected seven year revenue savings	£2,253,727

	Revenue cost	7 year projection
k	Office staff relocation costs as per personnel policy	£554,040
l	Operational staff relocation cost as per personnel policy	£364,941
m	Transfer of stocks, general equipment, records, furnishings etc	£12,456
n	Asset charge, life cycle costs, service charge and common areas charges relating to occupancy of SEV area office	£448,000
o	<b>Provisional item</b> - Lease costs and utilities for leased workshop <b>if required</b> for current contracts at time of relocating to Bilsthorpe–.	£596,000
	Annual monitoring, maintenance and key holder response fees for Remote monitored video security systems transferred from closed depots	£10,000
	Total projected seven year revenue costs	£1,985,437
	Overall total seven year revenue saving	£268,290

## 8. RISK ANALYSIS

- 8.1 Inflation indexing of July 2006 estimated costs has been included as detailed previously in 6.3.5.
- 8.2. A sum of £310,000 has been included as a contingency to cover the construction risk associated with the current lack of detailed design and an



additional sum of £150,000 has been included to cover the costs of carrying out surveys to determine whether there is any contamination on the depot sites prior to disposal.

- 8.3. The central workshop at Rolleston Drive currently holds servicing contracts with a number of external customers and, depending upon the timing of the relocation of services to Bilsthorpe, there may be a short term business need to lease a small facility within the city boundary to ensure that residual contractual commitments can be met. A provisional sum of £596,000 has been included in the seven year revenue projection to cover the leasing of a facility for up to four years. This sum will not be needed if external contracts are completed or alternative arrangements entered into by the time relocation takes place.
- 8.4. The timing of disposals is dependant on both the construction of the new depot facilities and also on the date for occupation of the new Ollerton Area Office.

## 9. **Statutory and Policy Implications**

- 9.1 This report has been compiled after consideration of implications in respect of personnel, finance, environmental, equal opportunities, and those using the service. Material implications are described below.

### 9.1.1 **Personnel Implications**

The original proposal to relocate to a single Northern office and main depot was an integral element of the proposed restructuring of the Highways Division and full consultation with all parties was carried out in 2003 as part of the consultative process.

The response to the consultation included considerations with respect to the Northern Area Office and, following the approval of the proposals on 21st October 2003, a letter was issued to all staff by the Assistant Director of Environment (Highways) to advise them of the outcome of the consultative process. This letter included advice that the restructuring proposals were based on having a new single depot/office in the North of the County and that interim arrangements would be necessary until the new depot was established. The consultation documentation for the detailed proposals invited comments from Trade Unions as well as staff and a total of 62 formal wide ranging communications were received at that time on the restructuring all of which received a formal written response. Since then there have been regular formal releases of information to keep staff apprised of the activities being undertaken with respect to the Northern Area Highways Office.

The current proposals will necessitate the redeployment and co-location of approximately 100 to 115 staff to the proposed Ollerton area office as previously detailed in paragraph 2.4 along with the redeployment of a similar number of front line staff to the new Bilsthorpe Depot. The cost of such redeployment (where it relates to Highway staff) has been included for within table 7.3 of this report.

The existing facilities at Newark, Southwell and Rolleston Drive are not up to modern day standards with significant issues with respect to space availability, equipment, storage, efficient working arrangements and facilities for staff. Additionally at certain properties (particularly Southwell) problems have been identified with the provision of public access for people with disabilities as required by the Disability Discrimination Act 1995. Providing solutions to remedy the existing defects would be very expensive. There are substantial benefits to Health and Safety, DDA requirements and environmental needs that can be secured from new depots.

The provision of modern and up to date office and depot facilities and working conditions will enhance conditions for our major asset, – our staff. The use of brown field and ex-colliery sites will enable local employment to be provided in deprived areas and also facilitate provision of training and other links with local schools and colleges to provide employment opportunities. The new facilities will also ensure full compliance with current legislation.

The overall proposals include for the relocation of the highways training centre to leased property at Newark Showground. This will provide the training centre with the facilities needed to enable full potential to be achieved both with respect to internal training, external customers and the further development of training initiatives with Derbyshire and Leicestershire under the “Three Counties Alliance” initiative. The development of the three counties training initiative will enable the Highways Division to benefit from economies of scale, share facilities and trainers / training opportunities and meet the increasing requirements for trade skills and Health and Safety training.

### **9.1.2 Financial Implications**

The financial implications are contained in the body of the report.

### **9.1.3 Environmental Implications**

Salt stocks are currently stored in the open and in some cases are also adjacent to watercourses. The provision within the proposals for three purpose-built salt barns at Bilsthorpe, Newark and Markham Moor will ensure that the storage of salt stocks meets operational and environmental needs in a cost effective manner.

The salt storage facilities proposed for the new Bilsthorpe and Newark depots and proposed changes to the storage facilities at Markham Moor would meet current best practice by being covered structures with correct environmental protection to prevent leaching of material and consequent risks to the local environment.

There may be the requirement to carry out contamination investigation on areas of the vacated depots prior to disposal and a provision (paragraph 8.2) has been included for carrying out the necessary site investigation works.

Most of the existing highway depot structures are old and / or life expired and the provision of new buildings utilising modern design, materials and equipment will offer savings in energy usage and reduced repair and maintenance bills.

#### **9.1.4 Equal Opportunities Implications**

The proposals for a new development provide a very good opportunity to consider how services could be developed in ways that are most appropriate to the needs of diverse communities, and are part of the wider strategy to improve the environment for people to live and work in.

#### **9.1.5 Implications for Service Users**

The restructuring, in 2003, of the Highways service and the resulting current structure was based upon the latest thinking in terms of construction practice which included having co-located office staff to enable joined up working and accountability to be developed to deliver efficiencies and value for money. This has been achieved for the southern area from the single Gamston office/depot but in the northern area it has not been possible to achieve these efficiencies with the current office and depot locations. The current need to continue with a range of widespread smaller facilities has resulted in the need to deploy increased resources to maintain service standards. These interim arrangements have resulted in reliance upon temporary staff and acting up arrangements to maintain the current unchanged structure of multiple offices and such temporary arrangements are not in the best interests of the service users.

The proposals are based upon providing a better environmental location for the main northern highway depot functions and upon providing a new facility that will reflect best current practice with respect to energy efficiency and minimised journey times/vehicle usage. The current revised proposals support these aims.

Community leadership and access to services will be enhanced by having a large centrally located County Council office in a centre of population near to the services provided and in the geographical centre of the area served.

The proposals support the Community Plan agenda by replacing expensive, inefficient facilities with new facilities offering improved health and safety, good environmental controls, energy efficiencies, improved access and improvements in service efficiencies which will also provide and maintain local employment opportunities in a deprived area.

#### **9.1.6 Corporate Property Implications**

The Corporate Property strategy recognises that the provision of quality accommodation and facilities has a positive impact on service delivery. Property assets which no longer meet the current business needs will be sold in order to maximise the capital returns

This bid assists in the rationalisation of the County's property portfolio and will provide modern and efficient new accommodation thereby enhancing both working conditions for the County's staff and better facilities for the County's residents and service users.

## **KEY DECISION**

10. This report leads to a Key Decision as expenditure of more than £1 million would be incurred and/or there would be a significant effect on communities in two or more electoral divisions in the County Council area. Notice of intention to make the decision was published in the County Council's Forward Plan on 5 February 2007.

## **11. RECOMMENDATIONS**

11.1 It is RECOMMENDED that:

- a) Council approve the funding required to undertake the project subject to approval being granted for the new Ollerton Area Office (paragraph 2.3 of this report refers);
- b) Council approve the appointment of project management and design resources as necessary to progress the project through outline and detailed design, planning approval and implementation;
- c) Council approve that the properties referred in table 5.2 will be surplus to requirements as and when they are vacated and that the Head of Service (Estates Management and Valuation) be authorised to market them for sale accordingly.

COUNCILLOR CHRIS BARON  
Cabinet Member for Finance & Property

## **Financial Comments of the Strategic Director (Resources)**

The financial implications are set out in the report. As with all major projects there are a number of estimates contained within the figures, however efforts have been made to include contingencies for all potential costs. It should be noted that although there is an overall revenue savings forecast for years 1 to 7 following relocation, costs will be higher than savings in years 1 to 4 (due to timing of relocation and lease costs). These cost will be charged to the Operational trading account within Highways and will need to be recovered via charges to internal and external customers. [KRP 9.3.07]

## **Legal Services' Comments**

The decision falls within the Authority of Council. Council approval is required to increases in the capital programme which exceed £2 million. [HD 15.3.07]

## **Background Papers Available for Inspection**

1. Report to CAMG dated 26<sup>th</sup> September 2006 with subsequent revision notes and supporting "Appendix A" details of costings
2. County Map showing Depot locations

## **Electoral Division(s) and Member(s) Affected**

Electoral Divisions in the Districts of Ashfield, Bassetlaw, Mansfield and Newark & Sherwood

Hcouncil070329northerndepot