

Minutes

Joint Meeting of the Finance & Economic & Environment Overview and Scrutiny Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Tuesday, 25 July 2023, 12.00

**Council Chamber – South Kesteven
House, St.Peter's Hill, Grantham.
NG31 6PZ**

Committee Members present

Councillor Mark Whittington (Chairman)
Councillor Ian Selby (Vice-Chairman)

Councillor Harrish Bisnauthsing
Councillor Tim Harrison
Councillor Graham Jeal
Councillor Gloria Johnson
Councillor Robert Leadenham
Councillor Bridget Ley
Councillor Paul Martin
Councillor Virginia Moran
Councillor Charmaine Morgan
Councillor Max Sawyer

Cabinet Members present

Councillor Richard Cleaver (Leader of the Council)
Councillor Ashley Baxter (Deputy Leader of the Council)
Councillor Patsy Ellis (Cabinet Member for Environment and Waste)
Councillor Paul Stokes (Cabinet Member for Leisure and Culture)

Officers

Richard Wyles (Chief Finance Officer)
Craig Spence (Acting Director of Housing)
Graham Watts (Assistant Director of Governance, Monitoring Officer)
Adrian Ash (Interim Assistant Director for Public Protection and Operations)
Gyles Teasdale (Property Services Manager)
Debbie Roberts (Head of Policy, Performance and Corporate Projects)
Sarah Downs (Democratic Services Officer)

1. Election of Chairman

Following nomination, it was proposed, seconded and **AGREED** for Councillor Mark Whittington to act as Chairman, for this meeting.

2. Election of Vice-Chairman

Following nomination, it was proposed, seconded and **AGREED** for Councillor Ian Selby to act as Vice - Chairman, for this meeting.

3. Public Speaking

There were no public speakers.

4. Apologies for absence

Apologies for absence had been received from Councillors Emma Baker, Rhys Baker, Ben Green, Lee Steptoe and Murray Turner.

Councillor Graham Jeal substituted for Councillor Ben Green.

Councillor Virginia Moran substituted for Councillor Lee Steptoe.

Councillor Harrish Bisnauthsing substituted for Councillor Murray Turner.

5. Disclosure of interests

Councillor Charmaine Morgan declared that she was Vice-Chairman of the Planning Committee.

Members of the Planning Committee also declared an interest, due to the nature of the topic being discussed.

Councillor Mark Whittington declared that the current depot and proposed new depot was situated in his Lincolnshire County Council division.

6. Announcements or updates from the Leader of the Council, Cabinet Members or the Head of Paid Service

There were none.

7. Proposed Replacement Depot - Turnpike Close Grantham

The Head of Policy, Performance and Corporate Projects provided background information on the history of the current depot at Alexandra Road, Grantham. The existing depot was facing increased maintenance costs and levels of investment to meet adequate welfare facilities. The site was not large enough to accommodate

additional operational vehicles, the Council was one additional vehicle away from maximising their Operators License.

As part of the report to acquire the Turnpike Close, Grantham site a Business Case was completed in 2021. In summary the key components supporting the development of the site were:

- It had good accessibility and no conflict with neighbouring uses meaning the risk of restrictions or the revoking of the licence is mitigated.
- There were no planning risks and the principle of a depot would be supported by the Local Planning Authority.
- The site was fully serviced and benefits from all the main utilities.
- There were no major technical constraints or risks that would prevent the Council from developing a new depot.
- The site was large enough for the Council's new depot.
- The site offered flexibility for future expansion.
- It would provide productive use of a site that had been vacant for a significant period.

The primary element of the business case for the relocation of the depot was based on a single location in Grantham with close proximity to the main trunk roads on the edge of town (A1, A52, A607). This was due to a number of key considerations:

- Close proximity to the waste transfer station at Gonerby Moor Grantham
- The avoidance of duplicate depots sites that would require management, fuel, workshop and other supporting infrastructure
- The acquisition of a site in the south of the District
- The mobilisation of the workforce to 2 locations

The design team were currently at RIBA (Royal Institute of British Architects) Stage 3 – Spatial coordination, this stage involved the production of spatially coordinated designs to support a Planning Application. A Design PAD meeting had taken place in mid-July and a further meeting was scheduled for September 2023, should a budget allocation be approved.

The scope of the design had changed significantly since July 2021, the development of the drawings now included waste, street scene (including grounds maintenance), the direct works organisation (repairs) and a workshop for in-house fleet repairs and servicing.

The report included a draft outline programme and key milestones:

Budget approval timetable:

- Cabinet 12th September 2023 (recommendation to Council)
- Council 28th September 2023 (Council approval for budget)

Planning:

- Submission of Planning Application 29th September 2023
- Planning Application determination (13 weeks major application) Jan/Feb 2024

Procurement:

- Prepare documents for Expressions of Interest via a framework October 2023
- Evaluate Expressions of Interest November 2023
- Tender on design and build contract December 2023 – February 2024
- Approval of contractor March 2024
- Award Contractor April 2024

Construction Process:

- Mobilisation on site May – June 2024
- Construction programme anticipated 36 weeks June 2024 – March 2025
- Handover and operational for 1st April 2025

The existing site at Alexandra Road, Grantham would remain operational until the new depot was built and handed over (no earlier than April 2025).

Clarification was sought on whether all activity would be removed from the current site and whether the Lincolnshire County Council household recycling site would still be operational at Alexandra Road, Grantham. It was confirmed that the Lincolnshire County Council recycling site would remain at Alexandra Road, Grantham. However, they may relocate in the future.

Further concern was raised on the location of the proposed new depot and neighbouring properties. It was noted that noise-impact assessments were undertaken at the new site and would be submitted as part of the planning application, noise mitigations were proposed as part of the plan for nearby properties.

The Business Case stated that construction costs would be in the region of £5.95 million and the external consultant from Gleeds had quoted £7.9 million. Clarification was sought around which cost was accurate.

It was noted that the value of land at Alexandra Road was in the region of £1.5 million (depending upon the planning permission). It was queried as to how the land could be sold for residential or industrial use if the Lincolnshire County Council recycling site would remain on the site.

One Member queried as to why the new depot would take 3-4 years to be fully operational.

The Head of Policy, Performance and Corporate Projects highlighted that the business case was from 2021 and was based around high level options prior to the purchase of Turnpike Close. In 2021, the costings were for a much-reduced

building due to all operations not being incorporated at that time. The Gleeds report was the most up to date business case for RIBA stage 3 which included costings, risk and included inflation.

As part of the initial business case, options were explored for the sale of Alexandra Road which in 2021, was at a high level. A further detailed analysis would be required on the future of Alexandra Road, once the site was no longer operational in April 2025.

The District Council owns a large proportion of the site at Alexandra Road which could be sold for different uses even if the Lincolnshire County Council recycling site still operated at the site. This work would be undertaken once an outcome of the new depot was known.

It was queried whether the level of design development risk and construction risk was efficient and whether the inflation contingency was sufficient, given the current state of the construction market.

The report had been produced by a qualified quantity surveyor from Gleeds. They were confident with the cost provided for the current stage of design. If any further amendments or changes were made, this may result in increases or decreases. The development and construction risk was £320,000 worth of contingency and the 4.2% for the tender inflation is what Gleeds had proposed for analysis on cost estimates.

A concern was raised that the £7.9 million costing proposed could potentially change. It was queried as to whether the Council would sign a contract for the fixed amount or contract with possible variables, and whether it would be a shared risk with the developer.

The Head of Policy, Performance and Corporate Projects clarified that until the Council went out to the market for the procurement and tender, the exact cost for the build would be unknown. The costings in the report were estimates for the current stage of the design. The procurement would be completed on a design and build basis and the risk would lie with the contractor.

The likelihood that the project was delivered on time and within the assigned budget was queried.

One Member sought clarification on whether any of the £100,000 contingency had been ring-fenced for future proofing and also if fees of £500,000 were typical for a project of this nature.

The average fees for a large project are typically around 15% of a construction project as a whole. However, the fees for this project are around 17% due to amendments to the scope of the works incurred. The costs for the professional fees were included within the cost estimate and report.

The Head of Policy, Performance and Corporate Projects informed the Committee that this was a significant project. The aim was for the new depot to be fully operational by 1 April 2025, which was a tight deadline for the Council to meet. Officers had anticipated a 36-week build-out programme.

It was noted that options could be explored of how contingencies be utilised. If the projected costs came in higher than the budget then the Council may request the design team to come up with value engineering options to reduce costs down.

It was noted that due to the increase in inflation, construction materials were now costing up to 25% more than they were in 2020.

Further concern was raised on the cost of the project. The main factors for the volatility of the projects was questioned.

It was requested whether electric charging points were being considered for possible future provision of hybrid waste freighters.

It was confirmed that the new depot would include 6 electric charging points in the car park, which would be used for the Council's pool cars. Ducting for further charging points would be included in the car park for HGV's in order to future proof for any EV fleet going forward. The Council would need to liaise with the National Grid in order to secure more capacity for a larger number of EV fleet.

Clarification was sought around the number around contingency of the project.

The Head of Policy, Performance and Corporate Projects clarified that the original business case completed included contingency as 15% (£750,0000). Within the Gleeds report, contingency was down as risk, it was merely different terminology within the different reports.

When the Council bought the Turnpike Close, the site had only been partially demolished. The site had now been fully demolished and cleared, it was ready for development to start therefore some of the risk had been reduced.

One Member queried whether the Council had penalty clauses in relation to completing a project on schedule.

It was confirmed that timeframes would be included within the contract in terms of a retention and retention figures would be kept back upon completion for a 12-month period. Once a contractor had been agreed, the Council would be expecting them to meet timelines, any delays would be penalised dependant on whether the responsibility fell with the Council or contractor.

One Member queried whether the Officers had considered the use of communication equipment for business continuity purposes.

The Head of Policy, Performance and Corporate Projects clarified that emergency planning was a Lincolnshire County Council function. In the CCTV unit at Mowbeck Way, they currently had a radio function. The relocation of the CCTV unit was potentially being moved into the Police Station at Grantham at a future point.

It was queried as to whether the contingency allocation had been based around a high percentage of inflation and whether this would be a fixed cost.

It was further clarified the contingency allocation was a cost estimate of inflation at present, which was 4.2% in the Gleeds report.

The Chief Finance Officer set out the strategy for the depot project to proceed. There were two elements to the funding of the project: minimum revenue provision of £200,000 per annum for 50 years. The other element was based around how the project would be financed from borrowing internal cash balances or potentially embarking on external borrowing as required. However, the exposure to external borrowing would be mitigated by using capital receipts that had been received following the disposal of surplus assets.

The Council could potentially be required to pay circa £750,000 per year in interest if they had to utilise external borrowing for the whole amount. However, as stated, the actual borrowing would be reduced by the amount of capital receipts generated.

It was queried as to whether contamination had been cleared at Turnpike Close.

One Member requested the types of items that would be viewed as a possibility to be value engineered.

The Council had paid external experts to mitigate any risks of contamination and exposure was limited.

The financial liability placed on the Council could not be underestimated and there would be a new budget pressure that would need to be considered within budget strategy review and Cabinet when preparing budgetary plans.

The Head of Corporate Projects, Policy and Performance highlighted surveys had taken place at the site following civil works which had identified no issues regarding the site. There was a service diversion due to a power cable running through the centre of the site, which would be diverted around the boundary of the site.

Potential value engineering options may include fixtures, fittings, internal finishes and external works.

It was queried as to whether any work had been undertaken on working out what the payback period was likely to be.

The payback period had not been calculated. This was an operational requirement project and the costings of new the site compared to the existing site would need to be revisited in terms of savings on both sides.

The indication of likely responsibilities expected of the Council was questioned.

It was queried as to whether there would be any problems in delaying making a decision.

One Member suggested that residents be notified of upcoming projects from the Council that may affect them.

Members were reminded that the provision of separate food waste may be implemented in the future, meaning the current site would not be suitable for an additional vehicle, due to nearly maximising the operator's license. The new site would also be suitable in line with the Environment Act requirements.

It was unknown when aspects of green and food waste from the Environment Act would be implemented as the results from the consultation had yet to be published.

One Member noted that the RICS code of conduct practice ensured a declaration of the maximum budget in the tender process.

The Head of Corporate Projects, Policy and Performance confirmed that the budget for the scheme would be declared in the procurement documents for contractors to be aware of the budget when going through the bidding process.

Concern was raised on further costs incurred for the Alexandra Road site once the new site was fully operational. It was queried whether the costs incurred would be returned by the tenancy of the industrial units.

The Chief Finance Officer reiterated that options around the Alexandra Road site would be considered parallel with the development of Turnpike Close. The operational costs of Alexandra Road would be mitigated through possible removal of buildings which would reduce any rating liability. The only cost that would remain on that site would be on-going security.

It was queried whether Members would receive regular updates on progress of the construction and whether the budget was being adhered to. It was further questioned as to who will carry out the progress monitoring.

The Deputy Leader of the Council noted that the relevant Overview and Scrutiny Committee's would receive further progress reports on the project, as well as any issues, if the project be approved.

The Chairman suggested that the Finance and Economic and Environment Overview and Scrutiny Committee's add this project onto their future work programmes.

It was suggested that the contingency fund be in place at the higher rate of 15%, in case more funds are required within the two years.

Members discussed the possible financial impact of the higher rate contingency calculation.

Concern was raised on what options would be considered if the budget and contingency were fully utilised before the project completed.

It was confirmed that once the Council had entered a contract with the construction company, the amount in the contract would be fixed to include all fees and outline project milestones. Officers would meet with the contractor on a regular basis to discuss progress on the building and fees.

A query was made on what due diligence would be given if the contractor liquidated part way through the project.

The report outlined the procurement route recommended where national frameworks would be utilised. Any contractor on national framework goes through a thorough due diligence process to assess their financial resilience and capacity.

It was reiterated that if costings were higher than anticipated, the design team would come back to the Council as the client to recommend any areas for value engineering.

Members discussed that an increase in contingency calculations may affect and increase the MRP of the project.

The Joint Committee discussed the facilities offered by other Council's in relation to their depots.

Concern was raised on Members overruling paid professionals in regard to the percentage of contingency calculations.

It was proposed, seconded, and **AGREED that the Joint Finance and Economic and Environment Overview and Scrutiny Committee:**

- a) **Requested Cabinet to recommend to Council that an allocation of £8m be included in the General Fund Capital Programme in order to provide the funding to enable the construction of a new depot at Turnpike Close, Grantham.**
- b) **Requested Cabinet to recommend to Council that Officers review the contingency calculation, considering an increase from 4.8% to 15% and the potential impact of that increase on corresponding calculations.**

8. Any other business which the Chairman, by reason of special circumstances, decides is urgent

The Chairman of Environment Overview and Scrutiny Committee requested the Committee's interest on visiting other waste depots locally.

9. Close of meeting

The Chairman closed the meeting at 13:55.