

## OUTLINE BUSINESS CASE

### A. GENERAL INFORMATION

#### A1. General

<b>Project Title</b> <i>(as per Voyager)</i>	Relocation of Montague Street and Redfern Road Depots	<b>Portfolio /Committee</b>	Street Scene and Parks
<b>Directorate</b>	Neighbourhoods	<b>Project Code</b> <i>(as per Voyager)</i>	CA-01941-05
<b>Approved by Project Sponsor</b>	Darren Share, AD Parks & Street Scene	<b>Approved by Finance Business Partner</b>	Carl Tomlinson, Business Partner

#### A2. Project Description

Montague Street Depot is currently sited within the footprint of the Curzon Masterplan. The site has been identified as a development opportunity. It also sits within the Clean Air Zone (CAZ). A daily charge of £8 for cars and Light Commercial Vehicles (LCV) and £50 for Heavy Goods Vehicles (HGV) will be incurred by all vehicles travelling to and from Montague St Depot when the CAZ is implemented. This will have an impact on the depot's revenue budget.

A report was approved at Cabinet on the 11<sup>th</sup> February 2020 which approved the freehold sale of the Montague Street Depot site to Homes England (HE). A lease back agreement has been put in place which allows the depot to continue to operate from the existing site until 2022; there after the service will relocate to a new build facility in Tyseley together with Redfern Road Depot which is currently located on the opposite side of the road.

This proposal allows for the rationalisation of the Waste Management Services (WMS) property portfolio by releasing 2 aging assets in favour of a new fit for purpose, sustainable super depot which will support the Waste Strategy 2019-2034.

The location of the new site also provides an opportunity to benefit from being supplied by green energy from the Energy Recycling Facility (ERF) at Tyseley. This will allow the facility to be sustainable while reducing running costs. Also, the installation of a live wire from the ERF to facilitate the electrical charging points will also support the changeover of the fleet to electric vehicles in the future.

The new facility, rather than mirroring the existing facilities at the 2 depots will instead provide shared office, meeting rooms, welfare and ablution facilities together with a modern garage facility equipped to support the delivery the future operating model.

There is a requirement for the construction of the depot to be fitted out with new furniture, garage and ICT infrastructure and equipment.

This will allow the programme to be delivered on time with WMS giving HE vacant possession of Montague Street Depot within the prescribed deadline.

## B. STRATEGIC CASE

*This sets out the case for change and the project's fit to the Council Plan objectives*

### B1. Project objectives and outcomes

*The case for change including the contribution to Council Plan objectives and outcomes*

- The proposed scheme will contribute to the Council's Key Priorities as outlined in the Birmingham City Council Plan 2018-2022, specifically Outcome 1; Birmingham is an entrepreneurial city to learn, work and live in and outcome 4; Birmingham is a great city to live in.
- The proposal supports the Waste Strategy 2019 – 2034 specifically by supporting the issue of improved air quality by locating new facilities within the Tyseley Environmental Enterprise Zone footprint and investigating the opportunity of linking to Tyseley Incinerator (Energy Recycling Facility) site for the provision of green energy converted from waste products. It also supports the strategy by ensuring the fleet used to deliver the service is maintained to a high standard.
- It supports the Financial Plan 2019-2023 by supporting the identification of savings and helping to achieve a balanced revenue budget
- The acquisition is consistent with the aims set out in both the Birmingham Property Strategy 2018/19-2023/24 specifically 3 of the 4 key themes: Investment, Growth and Development and Operational. Property that is in a poor condition and no longer fit for purpose are released.
- The proposal assists in the facilitation of the Birmingham Development Plan 2031 and working towards achieving the outcome of providing 51,100 new homes and 100,000 jobs between 2011- 2031.

### B2. Project Deliverables

*These are the outputs from the project e.g. a new building with xm2 of internal space, xm of new road, etc*

A new modern Waste Management Services facility on the former Atlas Works site to facilitate the relocation of Montague St Garage Workshop and Redfern Road Depot;

- External parking for the WMS fleet, staff vehicles, private vehicles
- Garage
- laundry
- Male and female ablutions (changing, showers, toilets and drying facilities for the operational workforce)
- Welfare facilities – canteen, breakout areas etc
- Offices and reception for back of house staff
- Meeting /training rooms
- Vehicle wash
- Furniture and equipment for offices/welfare and garage workshop.
- New ICT infrastructure plus Wi-Fi
- CCTV (internal & external)
- Electric vehicle charging points
- Cycle racks
- Secure site perimeter.
- Landscaping around site perimeter

<b>B3. Project Benefits</b>	
<i>These are the social benefits and outcomes from the project, e.g. additional school places or economic benefits.</i>	
<b>Measure</b>	<b>Outline Impact</b>
Collocation of two existing sites will provide benefits of economies of scale	Reduced operational costs and running costs
Relinquishing 2 poor quality buildings in a poor state of repair	Supports the Property Strategy by rationalising assets.
A sustainable building promoting the Green Agenda both in materials used in construction but also in green energy used for heating, lighting, power , grey water recycling etc.	Looking to link to Tyseley Energy Recycling Facility which will reduce the carbon footprint plus financial savings in energy consumption
Equalities requirements will be addressed as part of this proposal i.e. the female ablution facilities in the existing facilities are poor	Improved facilities will attract more women into the waste management industry sector.
Provides an improved working environment that supports staff morale.	Fit for purpose accommodation including welfare facilities which support new ways of modern working e.g. agile working for back of house administration staff, female ablutions,
Releases the Council from ongoing high maintenance requirements on Montague St Depot which is no longer fit for purpose and a financial liability	Reduced revenue R & M expenditure
Improve H & S on the site by having clear segregation of the public visiting the site and that of operational traffic with areas clearly marked out .	Reduced risk of injuries and near misses
<b>B4. Property implications</b>	
<i>Describe any implications for Council properties and for the Council's property strategies</i>	
Rationalisation of WMS property portfolio; releasing 2 sites which are in a poor state of repair and replacing them with one new fit for purpose sustainable modern workshop/garage and depot facility which will reflect the future operational strategy for the service.	
<b>C. ECONOMIC CASE - OPTIONS APPRAISAL</b>	
<i>This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities</i>	
<b>C1. Options reviewed</b>	
<i>A full description and review of each option is in Section G1</i>	
<p><b>Option 1 – Do nothing – Close the depot</b></p> <p><b>Option 2 – To extend one of the other depots to include the garage facility</b></p> <p><b>Option 3 – To purchase a building that could be refurbished and converted to address the requirements</b></p> <p><b>Option 4 - New build garage and depot (collocating Montague Street and Redfern Road Depots on one new site )</b></p>	

## C2. Summary of Options Appraisal – Price/Quality Matrix

	Option score				Weight	Weighted Score			
Criteria	1	2	3	4		1	2	3	4
1. Total capital cost	9	7	5	7	10	0.9	0.7	0.5	0.7
2. Full year revenue consequences	1	5	5	8	10	0.1	0.5	0.5	0.8
3. Benefits: Council priorities	1	6	5	8	20	0.2	1.2	1	1.6
4. Benefits: Service priorities	1	6	5	8	20	0.2	1.2	1	1.6
5. Deliverability and risks	1	5	5	7	15	0.15	0.75	0.75	1.05
6. Sustainability	1	7	5	10	25	0.25	1.75	1.25	2.5
<b>Total</b>	14	36	30	48	<b>100%</b>	1.8	6.1	5	8.25.

Further details are given in the Options Appraisal Records attached at the end of this OBC.

### C3. Option recommended, with reasons

*Which option is recommended and the key reasons for this decision?*

**Proposed option: New build garage and depot (collocating Montague Street and Redfern Road Depots on one new site)**

Colocation of 2 existing depots to rationalise 2 poor quality assets and to optimise the economies of scale and saving efficiencies and promote sustainability (construction and operationally) in a new 'super depot facility'.

#### C4. Risks and Issues of the preferred option

An Outline Risks and Issues Register is attached at the end of this OBC, including risks during the development to Full Business Case stage.

## C5. Other impacts of the preferred option

*Describe other significant impacts, both positive and negative*

Montague Street Depot was sold to Homes England in March 2020 and leased back to BCC for a period of 2 years with an option to extend by 7-months. The lease back agreement commenced as of the 1<sup>st</sup> April 2020. The depot must have vacated the site by the end of this period.

An opportunity to build a sustainable super depot using renewable green energy.

Funding package – in order to deliver the full scope of works , specifically linking into the ERF at Tyseley the grant bid application must be successful .

All or part of a capital receipt from the future sale of Redfern Road is required in order for the financial business case to show a balanced approach and the project to be financially viable.

## D. COMMERCIAL CASE

***This considers whether realistic and commercial arrangements for the project can be made***

## D1. Partnership, Joint venture and accountable body working

*Describe how the project will be controlled, managed and delivered if using these arrangements*

Property Services will act as the Intelligent Client on behalf of WMS and instruct Acivico Ltd and other suppliers of goods, services and works. The Waste Management Service will manage and operate the facility on completion.

**D2. Procurement implications:**

*What is the proposed procurement strategy and route? Which Framework, or OJEU?*

The proposed procurement strategy for the construction works is for a further competition exercise to be carried out using Acivico Ltd's Constructing West Midlands 2 Framework Agreement that is due to be awarded in late October 2020.

The procurement strategy for the garage equipment, furniture and fittings and ICT will be reported in the Full Business Case to be presented to Cabinet in July 2021.

<b>E. FINANCIAL CASE</b>	
<b>This information is detailed in Exempt Appendix 3</b>	
<b>F. PROJECT MANAGEMENT CASE</b>	
<i>This considers how project delivery plans are robust and realistic</i>	
<b>F1. Key Project Milestones</b>	<b>Planned Delivery Dates</b>
Purchase and vacant possession of site	Sept 2020
Report and OBC Cabinet approval	October 13 <sup>th</sup> 2020
Planning application submitted	September 2020
Planning approval	December 2020
Design (Technical and Detailed)	July 2020 – March 2021
Report and Full Business Case approval	July 2021
Contract award (main construction contract)	August 2021
Completion of construction phase	Aug 2022
Furniture and equipment fit out	Sept 2022
Date project operational	October 2022
Date of post implementation review	November 2023
<b>F2. Evaluation and achievability of timetable</b>	
<i>Describe how the project can be delivered given the organisational skills and capacity available</i>	
<p>In order to meet the programme and key milestones we propose to carry out the remediation of the site as phase 1 of the main construction contract as part of the facilitating works which can be carried out in parallel to the design stages ensuring that on awarding phase 2 of the main contract there is no delay to the construction.</p> <p>A project team has been identified with representatives from Property Services, WMS and Acivico Ltd who will bring in specialist support on a needs basis when required. Once appointed the contractor will also be part of the Project Team.</p>	
<b>F3. Dependencies on other projects or activities</b>	
<p>Vacant Possession of the new site          Approval of the Cabinet Report and OBC          Approval of grant funding.          Planning permission.          Award of construction contract          Successful delivery of the remediation to ensure timely construction commences          Generating a capital receipt for the sale of Redfern Road Depot to contribute towards the proposal</p>	
<b>F4. Products required to produce Full Business Case</b>	
<i>This should be a full list of the items required in order to produce a Full Business Case.</i>	
<p>Examples might be:</p> <ul style="list-style-type: none"> <li>• Technical and detailed design (RIBA Stages 3 and 4)</li> <li>• Complete of Site remediation</li> <li>• Provision of construction costs</li> <li>• Environmental impact assessment</li> <li>• Whole life costings</li> <li>• Consultation/Stakeholder analysis</li> <li>• Surveys</li> </ul>	

- ICT, furniture, equipment and fixture and fittings requirements
- Grant application submission and outcome
- Planning application

**F5. Estimated time to complete project development to FBC**

*Give an estimate of how long it will take to complete the delivery of all the products stated above, and incorporate them into a Full Business Case.*

5 - 6 months

**F6. Estimated cost to complete project development to FBC**

*Provide details of the development costs shown in Section F1 above (capital and revenue). This should include an estimate of the costs of delivering all the products stated above, and incorporating them into a Full Business Case. The cost of internal resources, where these are charged to the project budget, should be included. A separate analysis may be attached.*

£1,199,645 Total

Breakdown as follows:

£109,245 – Surveys and concept Design to RIBA Stage 2 (approval received via Delegated Authority)

£740,400 - Design fees and surveys to RIBA Stage 4

£350,000 remediation of the site

**F7. Funding of development costs**

*Provide details of development costs funding shown in Section F1 above.*

Development costs to be funded by an earmarked capital receipt (sale of Montague St Depot)

**F8. Officer support**

**Project Manager: Lesley Steele, Operational Programme Manager, Property Services**

**Project Accountant: Lisa Pendlebury**

**Project Sponsor: Darren Share, AD Parks and Street Scene**

**F9. Project Management**

*Describe how the project will be managed, including the responsible Project Board and who its members are*

The project will be managed by Property Services on behalf of the client. Acivico Ltd will be commissioned to administer and manage the construction contract.

The Project Board will be made up from representatives (tbc) from Finance, Property Services and Neighbourhoods Directorate

**G. SUPPORTING INFORMATION**

*(Please adapt or replace the formats as appropriate to the project)*

**G1. OBC OPTIONS APPRAISAL RECORDS**

*The following sections are evidence of the different options that have been considered in arriving at the proposed solution. All options should be documented individually.*

<b>Option 1</b>	<b>To do nothing and close the depot</b>
<b>Information Considered</b>	<ul style="list-style-type: none"> <li>• Legal requirements to vacate Montague St Depot site</li> <li>• Capital funding</li> <li>• Revenue (operational running/maintenance costs)</li> <li>• Fit for purpose provision e.g. Health and Safety</li> <li>• Infrastructure</li> <li>• Sustainability and the Green agenda</li> <li>• Legislation requirements.</li> <li>• CAZ</li> </ul>
<b>Pros and Cons of Option</b>	<p><i>What were the advantages/positive aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• The capital receipt from the sale of Montague Street can be redirected to other council priorities.</li> </ul> <p><i>What are the Disadvantages/negative aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• investment in the asset at Montague St would be a financial loss with no return as the life of the site is only 2 years.</li> <li>• The loss of a garage/workshop facility which maintains the council's fleet of vehicles including the WMS fleet. (N.B the small workshops at Lifford Lane, Perry Barr and Redfern Road Depots do not have the capacity or equipment to carry out large repairs or MOTs).</li> <li>• The fleet will not be able to be maintained and will not be operational which will impact on council services specifically the collection of domestic waste and recycling.</li> <li>• The Council would have to outsource vehicle repair and maintenance at a higher cost.</li> <li>• Montague Street Depot would still have to vacate the site in 2022 with no service continuity planned.</li> <li>• Montague St Depot is within the Clean Air Zone therefore additional financial impact on the service (vehicle entering and exiting the site will have to pay the CAZ tax)</li> <li>• No external providers have the capacity for WMS to outsource all the outputs of the depot.</li> </ul>
<b>People Consulted</b>	Ward Members, Cabinet Members, Unions, WMS staff, Planning Officers, AD Parks and Street Scene, Director Neighbourhoods., Funding bodies
<b>Recommendation</b>	Abandon
<b>Principal Reason for Decision</b>	<p><i>What are the key reasons for the recommendation regarding this option?</i></p> <p>This option would have a serious detrimental impact on service delivery with repercussions on statutory obligations related to waste collection.</p>



<b>Option 2</b>	<b>To extend one of the other depots (Redfern Rd, Lifford Lane, Perry Barr) to include the garage/workshop facility</b>
<b>Information Considered</b>	<ul style="list-style-type: none"> <li>• Legal requirements to vacate Montague St Depot site</li> <li>• Capital funding</li> <li>• Revenue (operational running/maintenance costs)</li> <li>• Fit for purpose provision e.g. Health and Safety</li> <li>• Infrastructure</li> <li>• Sustainability and the Green agenda</li> <li>• Legislation requirements.</li> <li>• CAZ</li> </ul>
<b>Pros and Cons of Option</b>	<p><i>What were the advantages/positive aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• A smaller capital investment would be required allowing the balance of the capital receipt to be utilised for other council priorities.</li> <li>• Investment in an existing council asset would extend the life and address other related site issues e.g. R&amp;M on that specific site.</li> <li>• By collocating with an existing depot revenue savings would be identified e.g. rates, energy consumption etc</li> <li>• It supports the rationalisation of the property portfolio</li> <li>• The other sites are outside the CAZ</li> </ul> <p><i>What are the Disadvantages/negative aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• The other WMS depot sites do not have the spatial capacity to accommodate a large garage/workshop facility.</li> <li>• The additional vehicles would impact on health and safety in relation to traffic management on the site.</li> <li>• There would be an impact on additional traffic of the surrounding area.</li> </ul>
<b>People Consulted</b>	Ward Members, Cabinet Members, Unions, WMS staff, Planning Officers, AD Parks and Street Scene, Director Neighbourhoods., Funding bodies
<b>Recommendation</b>	Abandon
<b>Principal Reason for Decision</b>	<p><i>What are the key reasons for the recommendation regarding this option?</i></p> <p>There is insufficient space available on any of the existing depot sites ( Redfern Road, Lifford Lane and Perry Barr Depots) to provide a garage/workshop facility.</p>

<b>Option 3</b>	<b>To purchase a building that could be refurbished and converted to address the requirements</b>
<b>Information Considered</b>	<ul style="list-style-type: none"> <li>• Legal requirements to vacate Montague St Depot site</li> <li>• Capital funding</li> <li>• Revenue (operational running/maintenance costs)</li> <li>• Fit for purpose provision e.g. Health and Safety</li> <li>• Infrastructure</li> <li>• Sustainability and the Green agenda</li> </ul>

	<ul style="list-style-type: none"> <li>• Legislation requirements.</li> <li>• CAZ</li> </ul>
<b>Pros and Cons of Option</b>	<p><i>What were the advantages/positive aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• Programme of works would be reduced.</li> <li>• Reinvestment in an existing property which could support the regeneration of an area.</li> </ul> <p><i>What are the Disadvantages/negative aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• Such a building does not exist - A property search could not identify a suitable building that met the criteria for both a building with the external space required that was sufficient to operate a garage/workshop.</li> <li>• Capital cost would be high to convert and refurbish an existing building to meet the requirement of a working garage/workshop.</li> <li>• Design/ use of materials would be restricted by the makeup of the existing structure .</li> <li>• It does not support the rationalisation of the property portfolio.</li> <li>• Future Repair and Maintenance costs could be high on an existing building.</li> <li>• Additional cost to purchase a property.</li> <li>• Sustainability options are limited on refurbishing an existing building and more expensive.</li> </ul>
<b>People Consulted</b>	Ward Members, Cabinet Members, Unions, WMS staff, Planning Officers, AD Parks and Street Scene, Director Neighbourhoods., Funding bodies.
<b>Recommendation</b>	Abandon
<b>Principal Reason for Decision</b>	<p><i>What are the key reasons for the recommendation regarding this option?</i></p> <p>No suitable property was identified.</p>

<b>Option 4</b>	<b>Identify a site and construct new build garage and depot (collocating Montague Street and Redfern Road Depots on one new site )</b>
<b>Information Considered</b>	<ul style="list-style-type: none"> <li>• Legal requirements to vacate Montague St Depot site</li> <li>• Capital funding</li> <li>• Revenue (operational running/maintenance costs)</li> <li>• Fit for purpose provision e.g. Health and Safety</li> <li>• Infrastructure</li> <li>• Sustainability and the Green agenda</li> <li>• Legislation requirements.</li> <li>• CAZ</li> </ul>
<b>Pros and Cons of Option</b>	<p><i>What were the advantages/positive aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• The facility is purpose built and meets the future requirements of the service.</li> <li>• Choice of sustainable design/materials.</li> <li>• Supports the rationalisation of the property portfolio</li> <li>• Opportunity to reduce running costs and identify revenue savings by collocating 2 existing depots into one 'super' depot.</li> </ul>

	<ul style="list-style-type: none"> <li>• Supports continuity of service delivery.</li> <li>• Addresses existing issues with equality and health and safety of existing facilities.</li> <li>• Supports the Waste Management Strategy 2019 -2034.</li> <li>• Promotes the Green Agenda</li> <li>• New site is outside the CAZ.</li> <li>• Close proximity of Tyseley Energy Recycling Centre – benefit of green energy option</li> </ul> <p><i>What are the Disadvantages/negative aspects of this option?</i></p> <ul style="list-style-type: none"> <li>• Higher capital investment required for the purchase of a new site, remediation, construction and fit out costs.</li> <li>• Limited timescale to purchase site, remediate site, construct new build and vacate existing site within the 2-year timescale leading to an inflexible programme.</li> </ul>
<b>People Consulted</b>	Ward Members, Cabinet Members, Unions, WMS staff, Planning Officers, AD Parks and Street Scene, Director Neighbourhoods., Funding bodies
<b>Recommendation</b>	Proceed
<b>Principal Reason for Decision</b>	<p>BCC will be in breach of the lease back clause with Homes England whereby we must provide vacant possession of the Montague Site to the owner Homes England by October 2022 (includes extension option)</p> <p>Opportunity to rationalise asset and deliver a sustainable 'super' depot with a reduced carbon footprint.</p>

<b>G2. OUTLINE RISKS AND ISSUES REGISTER</b>			
<i>Risks should include Optimism Bias, and risks during the development to FBC</i>			
Risk or issue	Likelihood	Severity	mitigation
1. Planning permission for new build refused	L	H	The risk is reduced as the site is in an industrial area. Any issues can be addressed with the Planner during the development stage to ensure the submission will be supported.
2. Purchase of new site is delayed, and vacant possession not given in Sept 2020	M	M	No works are proposed to start on site until 2021. Discussions have already taken place with the agents in relation to carrying out some surveys prior to completion of the sale to mitigate future delays. If delays are considerable then discussion will take place with, HE ref the option to extend the lease further.
3. The cost of acquiring the site and construction exceeds the capital receipt	H	M	This has been anticipated and additional sources of funding have been identified to contribute towards the full cost of the project. These being an additional capital receipt from the sale of Redfern Road Depot and securing grant funding either from ERDF.
4. ERDF grant application is not successful	M	L	A wet system will be designed as a fall-back option ( this can be adapted for use with green energy so minimal design changes). Also, the original scope included for installing the infrastructure for electric recharging points so the connection can be done at a later date inline with the fleet being upgraded
5. The estimated valuation for Redfern Road is not achieved in the sale .	L	M	The contribution required for the project is not the full amount of the estimated valuation so there is some flexibility built in. We cannot foresee how commercial market will be impacted on by Covid19 at this stage.
6. Programme not met	M	H	We have acknowledged that the programme is tight with no contingency allowance for slippage. We have therefore looked at how we can reduce this by bringing forward the site remediation works to reduce the construction time and to use a Framework to reduce the procurement timeframe.
7. Unknown site conditions	H	L	Due to the historical use of the area it is highly likely that the site is contaminated. A site investigation survey will be carried out early to identify the ground make up so that a remediation package can be assembled and actioned. The

			foundation can then be designed to address any anomalies in the ground.
8. Covid19	H	M	Working practices are being amended to ensure business as usual can resume by ensuring PPE, social distancing, washing hands, regular use of sanitiser etc become the norm. Anyone showing symptoms or being in contact with someone who has symptom must self isolate.
9. Grant application is not successful	M	M	The impact will be that the scope will need to be reduced. This can be done by phasing the work; phase 1 can be included within the project which will be, to put in a reduced number of electrical charging points and the ducting so that when additional funding is secured phase 2 can be delivered which will include the link to the Energy Park.
10. Brexit -impact on resources (materials and labour)	M	M	The departure from the EU could have an impact on the access to materials and labour. To mitigate this risk a 10% contingency has been included within the overall cost. Robust contract management by Acivico Ltd will be in place to ensure the contractor has access to sufficient labour and materials to meet the timescales.
11. Departure of key staff	L	L	A detailed handover and shadowing process during working notice would be arranged.
12. Service expectations are not met.	L	H	Service representatives are part of the project team and are involved in the scope and design of the facility. Expectations are managed within the budget and programme.