

Birmingham City Council

Report to Cabinet

12th October 2021



Subject: Full Business Case - New Build Depot for the Relocation of Montague Street and Redfern Road Depots (Atlas Works)

Report of: Managing Director of City Operations

Relevant Cabinet Member: Councillor Tristan Chatfield, Cabinet Member Finance and Resources
Councillor John O'Shea, Cabinet Member Street Scene and Parks

Relevant O & S Chair(s): Councillor Mohammed Aikhlaq, Resources
Councillor Penny Holbrook, Housing and Neighbourhoods

Report author: Lesley Steele, Operational Programme Manager, Property Services. Lesley.Steele@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
Bordesley and Highgate Ward and Tyseley and Hay Mills Ward		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 009141/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Exempt Appendix 1 Exempt information Schedule 12A to the Local Government Act 1972 (as amended). Paragraph 3. Information relating to the financial or business affairs of any particular person (including the council). Appendix 1 contains sensitive, commercial information		

1 Executive Summary

- 1.1 The purpose of the report is to seek approval of the Full Business Case (FBC) and the award of the contract for stage 2 of the proposal for the delivery of the construction of a new depot facility to relocate the key activities currently carried

out at Montague Street Depot (workshop facility) and Redfern Road Depot (welfare, ablutions and training facilities).

- 1.2 To formally declare the Redfern Road Depot, Tyseley, B11 2AB surplus as per the site plan Appendix 3 and to progress the marketing of the site.
- 1.3 To illustrate how the additional capital funding to support the proposal is to be financed.

2 Recommendations

- 2.1 Approves the Full Business Case (Appendix 2) to construct a new depot facility to relocate the activities currently carried out at Montague Street Depot and Redfern Road Depot inclusive of fit out, fees and contingency at an estimated capital cost of £13.665m
- 2.2 Approve the award of a contract to Morgan Sindall Construction Ltd for the construction of the new depot for the maximum value of the £11.347m (inclusive of contingency) and for the Director, City Operations to place an order for these works
- 2.3 Authorise the Managing Director, City Operations to instruct Acivico Ltd to progress the project proposal to RIBA Plan of Work to stage 6 (Handover and Close Out) at a cost not to exceed £0.122m.
- 2.4 Delegates the strategy and the commencement of the procurement activity for the supply, installation and ongoing maintenance of the garage equipment for the depot to the Managing Director, City Operations in conjunction with the Assistant Director, Procurement (interim), the Director of Council Management and the Acting City Solicitor (or their delegates) as detailed in paragraph 7.4.2.
- 2.5 Delegates the award of contract(s) for the supply, installation and ongoing maintenance of the garage equipment for the depot to the Managing Director, City Operations in conjunction with the Assistant Director, Procurement (interim), the Director of Council Management and the Acting City Solicitor (or their delegates).
- 2.6 Authorise the Director of Council Management to set aside a capital sum of £1.9m from Prudential Borrowing, as an additional contribution towards the construction of the new depot on the former Atlas Works site. The capital repayment and interest over the 15-year period is £0.147m per annum and contained within the budget envelope of £0.2m per annum saved from the closure of the two sites.
- 2.7 Declares the land and property known as Redfern Road Depot, Tyseley, B11 2AB, shown in Appendix 3, surplus to Council requirements and authorise its subsequent sale. Notes that in accordance with existing surplus property procedures no internal re-use of the property has been identified
- 2.8 Delegates approval to the Assistant Director of Property to set reserves on land and property assets at or above £500,000 should the property be offered for sale at public auction. Notes and approves that the mode of disposal will be agreed

and approved by the Assistant Director of Property in consultation with the Leader.

- 2.9 Approves the setting aside of the capital receipt realised on the sale of Redfern Road Depot sale towards the cost of the project proposal.
- 2.10 Authorises the City Solicitor to negotiate, execute and complete all necessary legal documents to give effect to the above recommendations.

3 Background

- 3.1 Following the sale and lease back of Montague Street Depot to Homes England on the 31st March 2020 a report and Outline Business Case (OBC) was presented to Cabinet on the 13th October 2020 which approved the proposal to relocate the activities currently delivered out of Montague Street Depot workshop and Redfern Road Depot to a new build depot on the site of the former Atlas Works in Tyseley (Appendix 4).
- 3.2 The purchase of the former Atlas Works Site in Tyseley, was completed on the 7th May 2021 with the vendor completing the demolition of the concrete slab and buildings on the site on the 30th June 2021. This process took longer than programmed due to further negotiations being required to allow for vacant possession of the site in its entirety.
- 3.3 The original proposal supported the submission of a European Regional Development Fund (ERDF) grant application in the sum of £4m. This would have funded the infrastructure for the installation of a live wire from Tyseley Incinerator to the new facility to provide renewable energy to operate the building together with 40 rapid & ultra-rapid (50kw +) charge points, with future proofing power supply capability to install additional charge points in the future as the fleet converted to electric vehicles. The expression of interest was supported by the ERDF and a grant application submitted in January 2021; however having interrogated the target outcomes that made up the conditions of the grant it was apparent that the council would not be able to meet these targets by the key dates stipulated as we are yet to have a programme for replacing the fleet with suitable HGV electric vehicles. The Service are still looking to pilot suitable replacements but currently there is limited scope on the market. A decision was made not to progress the application further
- 3.4 The current scope has retained some of the works identified in the ERDF application; specifically the infrastructure for the future live wire, a number of electric chargers including a small number of rapid charging points together with the infrastructure to enable additional electric chargers to be installed without having to excavate the site at additional cost and disrupting the onsite operations in the future.
- 3.5 The reduction in the anticipated external funding has had a negative impact on the overall budget available, together with a number of uncontrollable external market factors that have had a detrimental impact on the economy. These range

from; Brexit, the Covid recovery; Unprecedented global demand for certain commodities and raw materials leading to supply issues and increased prices; China's protectionist behaviours ensuring their domestic demand is serviced for products such as steel; In the UK, we are experiencing a mini boom in infrastructure and construction activity as we emerge from COVID. UK infrastructure projects are continuing at pace. All of these factors have impacted on the availability and significant increase in the cost of materials and labour. This is evident when comparing prices from Summer 2020 to current day. This has resulted in the latest cost estimate for the construction works being higher than anticipated and the need to identify additional funding to support the delivery of the proposal.

- 3.6 The project has been developed to RIBA stage 4 (technical design). The new depot will have 2 separate entrances/exits; the access from Kings Road will be for staff, visitors and taxis with the access off Redfern Road specifically for the fleet. The segregation of vehicles will support health and safety on the site. The new building will support the activities delivered from Montague Street and Redfern Road. There will be the re-provision of a new modern workshop/garage with the amalgamation of shared welfare, ablutions, offices and meeting/training spaces to promote efficiency savings by operating one sustainable site rather than two older uneconomical buildings that are in a poor condition and would require substantial investment to make them fit for purpose.
- 3.7 The new depot will require a full fit out of both office furniture. It is proposed that this is replaced with a mix of new furniture and surplus furniture in a good condition from the closure of the Council's Corporate Administration Building (CAB) 1 Lancaster Circus. The ablutions will also require new fixtures and fitting e.g. wet and dry locker storage and benches. The workshop/ garage will require new industrial equipment. The equipment currently in situ at Montague Street is in a poor condition and circa 40+ years old. It would pose a high risk to attempt to dismantle it and refit it with no guarantee that it would function effectively in the new facility.
- 3.8 Planning permission approval is anticipated in September 2021.
- 3.9 The remediation of the site, preparing it for the second phase of works will start in October 2021. The construction of the new build will commence on site in November 2021 with completion anticipated for the end of July 2022, followed by the fit out of furniture, equipment and ICT. It is anticipated that the new facility will be fully operational by mid-September 2022.

4 Options considered and Recommended Proposal

- 4.1 The options and preferred proposal were outlined in the Cabinet Report and Outline Business Case approved at Cabinet on the 13th October 2021. The preferred option entailed the purchase of a new site known as the 'Former Atlas

Works' in Tyseley. The proposal is to build a new depot facility which will combine the WMS functions currently carried out at Montague Street Depot and Redfern Road Depot.

5 Consultation

- 5.1 The Leader of The Council has been briefed on the detail of this project and supports it going forward.
- 5.2 Local elected members have been consulted on this project and support it going forward. The report was presented to members of the Capital Board on the 3rd August 2021 who supported it going forward.
- 5.3 Consultation has been ongoing with Waste Management Services managers have been directly involved in the design for the new depot. They have engaged with the WMS staff and Trade Union representatives. This engagement will continue throughout the development of the project.

6 Risk Management

- 6.1 A risk register is appended to the Full Business Case Appendix 2.
- 6.2 The main risks identified are; whether the budget is sufficient to afford the proposal. This in context of the uncontrollable external economic factors which are currently impacting on prices within the construction industry. Inflation and a contingency have been included to mitigate this risk; ensuring the proposal can be delivered within the programme to meet the deadline to vacate the current premises at Montague Street, in line with the lease back agreement with HE. The programme has been reviewed to ensure completion within the terms of the lease back agreement.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 The proposal supports the Birmingham City Council Plan 2018-2022 (as updated in 2019) by contributing to the Council's Key Priorities, 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 proposals support the additional climate change commitments agreed by Cabinet on 30th July 2019 following the motion on Climate Emergency passed at the full City Council meeting of 11th June 2019, including the aspiration for the City Council to be net zero-carbon by 2030.
- 7.1.2 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 the Tyseley Incinerator site for the provision of energy converted from waste products.

7.1.3 The acquisition of Montague St Depot site and the proposed new site on Redfern Road are consistent with the aims set out in both the Birmingham Property Strategy 2018/19 – 2023/24 specifically 3 of the 4 themes: Investment, Growth and Development and Operational.

7.1.4 Birmingham Business Charter for Social Responsibility (BBC4SR):

Morgan Sindall Construction Ltd is a certified signatory to the BBC4SR and has provided an action plan with commitments relevant to the contract. These commitments will be managed and monitored during the contract period (November 2021 – July 2022). A summary of the key commitments is detailed below:

- Local Employment
- Buy Local
- Partners in Communities
- Good Employer
- Green and Sustainable
- Ethical Procurement

Core social value activities to be delivered by Morgan Sindall Construction include:

- A two-year partnership with Eden Girls' Leadership Academy in Bordesley Green which targets year 10 students who may express an interest in seeking a career in the construction industry. The programme includes career guidance, CV writing, work experience and on-site work experience with key suppliers during key stages of the construction process.
- Community engagement targets and a specific Community Engagement Plan (CEP), which relates directly to engaging with neighbours and providing community support close to the Atlas Works project.

Named beneficiaries include: SIFA Fireside Birmingham's main day centre for homeless and vulnerably housed adults; South & City College, Bordesley Green, offering work experience and business awareness to students, especially those from disadvantaged areas or communities; Eco Park, Birmingham - an environmental education centre in the Small Heath area which includes a wildlife gardening demonstration garden promoting sustainable energy, recycling and gardening with wildlife in mind, and the provision of financial support, time and food to Sparkhill Foodbank.

The value of the contracts for garage, ICT equipment and furniture are below the goods and IT thresholds for the application of the BBC4SR.

7.2 Legal Implications

- 7.2.1 Section 120 -123 of the Local Government Act 1972 authorises the City Council acquire, appropriate and dispose of land for the purpose of any of its functions or for the benefit, improvement or development of its area.
- 7.2.2 S1 of the Localism Act 2011 contains the Council's general power of competence, which is circumscribed only to the extent of any pre-commencement restrictions on or any specific post-commencement restrictions of that power, and S111 of the Local Government Act 1972 contains the Council's subsidiary powers to do anything, whether or not involving the expenditure, borrowing or lending of money, or the acquisition or disposal of any property or rights, which is calculated to facilitate, or is conducive or incidental to the discharge of any of its functions.
- 7.2.3 Section 135 of the Local Government Act 1972 authorises the Council to enter into contracts for the supply of goods or materials or the execution of works in accordance with standing orders made by the Council for that purpose.
- 7.2.4 The Council has a best value duty under the Local Government Act 1999 to improve the efficiency, economy and effectiveness of the services it delivers.
- 7.2.5 Exempt information Schedule 12A to the Local Government Act 1972 (as amended) paragraph 3. Information relating to the financial or business affairs of any particular person (including the Council). Exempt Appendix 1 are considered not to be in the public interest as they contain commercially sensitive information of a financial and business nature, which if disclosed to the public could be prejudicial to a named person, individual or company.

7.3 Financial Implications

- 7.3.1 The financial summary to deliver the proposal is detailed in Exempt Appendix 1.
- 7.3.2 The estimated total capital cost to deliver the project is £13.665m. This is to be funded, as previously agreed from capital receipts from the sale of Montague Street Depot and an anticipated capital receipt from the future sale of Redfern Road Depot together with a sum afforded from Prudential Borrowing.
- 7.3.3 A delegated authority approved on the 11th May 2020 approved the release of £0.109m to develop the project to feasibility. A cabinet report and Outline Business Case was approved by Cabinet on the 13th October 2020 this released the further sums of £0.740m for Acivico Ltd to develop the proposal to RIBA Stage 4 together with a sum of £0.350m towards remediation costs for the site.
- 7.3.4 The revenue operating costs for Montague Street from 2018/19 and 2019/20 illustrate that the Depot has been operating with a significant annual over spend which can be attributed to an increase in repair and maintenance costs and rates whereas Redfern Road operates within their budget threshold annually but with no surplus. The new facility will operate within the perimeters of the existing combined revenue budget. This will afford the prudential borrowing repayments detailed in the Exempt Appendix 1. The actual running costs of the new facility will be determined after operating the building for a full 12-month period.

7.4 Procurement Implications (if required)

7.4.1 Construction of the New Depot

7.4.1.1 Cabinet approved the procurement strategy for the construction in the Outline Business Case approved on the 13th October 2020 to use Acivico Ltd's Constructing West Midlands 2 Framework Agreement.

7.4.1.2 The contract was tendered in two stages. This allowed for the remediation site works to commence as stage 1 whilst the design of the new depot was completed. The first stage under a Pre-Construction Services Agreement was awarded to Morgan Sindall Construction Ltd. The award for the second stage is the subject of this report for approval to enter into a contract with Morgan Sindall Construction Ltd for the construction of the new depot.

7.4.2 Garage Equipment

7.4.2.1 There is a requirement for the supply, installation and ongoing maintenance for the following garage equipment for the new depot including:

- Diesel/petrol smoke analyser
- Shaker plates
- ATF roller brake test

7.4.2.2 The strategy is being developed and a competitive process will be undertaken either by a further competition exercise using a collaborative framework agreement or a procurement process open to the marketplace advertised on Find a Tender, Contracts Finder and www.finditinbirmingham.com. The strategy will be approved by the Managing Director, City Operations in conjunction with the Assistant Director, Procurement (interim), the Director of Council Management (Interim) and the Acting City Solicitor (or their delegates)

7.4.3 Furniture and Equipment

7.4.3.1 There is a requirement for the procurement of the following for the fit out to ensure the new depot is operational with contracts being awarded and approved under Chief Officer delegated authority in accordance with the Procurement Governance Arrangements including:

- Office Furniture
- Welfare Furniture and Storage
- ICT, digital equipment and services

7.5 Human Resources Implications (if required)

7.5.1 Professional services to support the project will be provided by Property, Finance, Procurement and Legal Officers who will be engaged to deliver this proposal with technical support for the construction from Acivico Ltd.

7.5.2 A Service redesign is currently being discussed with staff and trade unions.

7.6 Public Sector Equality Duty

- 7.6.1 A copy of the Equality Act 2010 – Public Sector Duty statement together with the initial equality assessment screening are appended – Appendix 5 ref EQUA549. The initial equality assessment carried out discloses that the report recommendations will not have a negative impact on the characteristics and groups protected under the Equality Act 2010 and therefore it is considered that a full assessment is not required for this report.

8 Appendices

- 8.1 Appendix 1 Exempt information
- 8.2 Appendix 2 Full Business Case
- 8.3 Appendix 3 Site plan of the Redfern Road Depot
- 8.4 Appendix 4 Site plan of former Atlas Works Site
- 8.5 Appendix 5 EINA EQUA549

9 Background Documents

- 9.1 Cabinet Report and OBC 13th October 2020: Relocation of Montague Street and Redfern Road Depots – Outline Business Case