

	REPORT TO CABINET TO BE HELD ON 15 JANUARY 2019
	Key Decision YES Forward Plan Ref No n/a
Corporate Aims People/Place/Prosperity/Council	Cabinet Portfolio Holder Cllr Mike Cockerill

REPORT OF: Director (NE) – 19/017

WARDS AFFECTED: All

**SUBJECT: TRANSFER OF OPERATIONS FROM MANOR ROAD
TO DEAN ROAD DEPOT**

RECOMMENDATION (S):

Cabinet is recommended to:

- (i) Note progress with this project;
- (ii) Approve an increase in funding of £100k from the capital contingency reserve to underwrite an increase in project contingency and increased project management costs.

REASON FOR RECOMMENDATION (S):

To deliver the Council’s aspiration to rationalise the Council’s assets and realise efficiencies in the Council’s operations by disposing of the Manor Road Nursery site and by locating the Parks Service to Dean Road Depot.

HIGHLIGHTED RISKS: All risks are identified in the risk matrix

1. INTRODUCTION

- 1.1 Cabinet and subsequently Full Council considered a report in July 2017 (17/167) with a series of recommendations to implement the findings of the Overview & Scrutiny Review of Manor Road Nursery (O&S Review). This report provides an update to Cabinet on progress with the project to date.

2. CORPORATE AIMS

- 2.1 This report supports all of the Council's Corporate Aims.

3. BACKGROUND AND ISSUES

- 3.1 Cabinet approved a number of recommendations on 5 July 2017 (report no. 17/167) with respect to the implementation of the O&S Review into the future supply of bedding plants and depot provision at Manor Road Depot.
- 3.2 This report was subsequently considered by Council on 4 September 2017 and a number of recommendations were approved. These recommendations included the closure and disposal of the Manor Road Nursery; outsourcing the supply of bedding plants; the redevelopment of Dean Road Depot in advance of the relocation of the Manor Road Nursery functions.
- 3.3 The O&S Review had previously considered whether the Council should retain both operational depots to deliver services into the future. Condition surveys were undertaken on both sites and a capital investment of £315k would be required to bring both depots up to an acceptable standard. It should be noted that, if the recommendations contained within this report are not approved then this capital expenditure will be required to be found without the benefit of a capital receipt from the sale of the Manor Road site.

4. CONSULTATION

- 4.1 Full consultation was undertaken through the Overview and Scrutiny Review process.
- 4.2 Comprehensive consultation with local residents together with key stakeholders was also undertaken through the formal planning process.

5. ASSESSMENT

- 5.1 The project to deliver the aspirations set out above commenced shortly after approval was given to proceed. A small project team was established reporting to the Director (NE) as project sponsor.
- 5.2 A full procurement exercise was undertaken to procure a supplier of the Council's bedding plant requirements. Following a competitive process, the contract was awarded to Pentland Nurseries. The Council has recently received the first delivery of winter bedding from Pentland and the quality of plants has proved exceptional. Officers will continue to work in close partnership with the supplier for the duration of the contract to ensure that this quality is maintained.
- 5.3 The Manor Road Nursery site has been actively marketed and the outcome of this is the subject of a further Cabinet report (19/001).

- 5.4 Officers submitted a grant bid to the One Public Estate (OPE) Fund to undertake the remediation of contaminated land at Dean Road Depot to facilitate the development of the Manor Road Site for housing. The OPE fund is administered by the Local Government Association (LGA) and the Office of Government Property (OGP) and Officers secured £50k of external funding for this project. This funding is predicated on the scheme progressing and was accepted by the Council in March 2018 (ref 18/23).
- 5.5 The development of the Dean Road Depot Site has commenced. Detailed plans were drawn up to deliver the Council's aspirations for this site and full planning permission with associated conditions was granted on 10 July 2018.
- 5.6 In order to deliver the onsite construction work, Officers subsequently commenced a procurement exercise to identify suitable contractors to undertake the works.
- 5.7 Throughout all stages of the project a number of issues have been encountered that have had implications for both the duration and cost of this project. These issues include:
- (i) Dean Road Depot is a historic site containing a number of listed buildings and due consideration must be given to these structures when undertaking the development works. The historic nature of the buildings has limited the options available for the improvements of welfare facilities in particular.
 - (ii) Contamination of land immediately beneath the site has proved to be extensive which has impacted upon the scale of the development options for the site.
 - (iii) Historic maps and plans for the site had been relied upon to inform the development proposals and the original estimates, however, a number of these have proved to be inaccurate with large subsurface voids only found during structural survey works as part of the design phase.
 - (iv) Dean Road Depot has suffered lack of investment by the Council over a number of years as the future of the site was unknown. This has resulted in a number of the existing buildings standing in very poor condition.
 - (v) The exiting site drainage was considered adequate at the inception of this project, however, the recent appearance of an artesian spring at the Dean Road Depot has required a re-design of the drainage layout.
- 5.8 Furthermore, the scope of the project has also increased in recent months to include the requirement to make provision for Council staff and operations to relocate from High Eastfield Farm as well as the former Sports Centre site on Filey Road. This relocation has enabled these sites to be moved forwards for development as part of existing schemes but the cost of relocation was not incorporated into initial estimates.
- 5.9 The issues outlined above have impacted both upon the duration and cost of the project. Dealing with each in turn, the project was initially scheduled to be completed by April 2019. Works have yet to commence on site and it is likely

that the project will be delayed by a number of months with the completion date now scheduled to be December 2019. Careful scheduling of project works should enable operations to move from Manor Road to enable the sale of the land, however, works will continue on site at Dean Road for a number of months post the move date of early summer 2019. This project will proceed in close conjunction with the associated project progressing with the sale of Manor Road Depot.

- 5.10 In addition to the revised timescales as detailed above, the outlined issues have impacted upon the cost of the scheme. Due to the size of the site, the nature of the disjointed buildings, contamination issues and the general levels of under investment over recent years, primarily driven by severe budget constraints, the levels of work required are significant.
- 5.11 It should be recognised that the scheme involves major improvements to the working environment of a large proportion of the Councils workforce and it is therefore paramount that a quality fit for purpose outcome is achieved.
- 5.12 As further works and variations to the scope became apparent, Officers prudently ring fenced some current related budgets in order to fund these works. In addition allocated budgets for investments within both the Manor Road Nursery and Dean Road Depot Sites have been maintained while the scope of the scheme was being finalised.
- 5.13 One Public Estate (OPE) funding of £50k was received (ref 18/23) as a contribution to the costs incurred through the resolution of contaminated land issues, while Members agreed (ref 18/266) to the allocation of £43k from the capital receipt owed in relation to the Middle Deepdale development.
- 5.14 The table below details the movements in budgeted cost headings together with identified funding sources. The original allocation from the Capital Development Reserve was budgeted to be replenished through any future disposal of the Manor Road Nursery Site.

	£k
Original Budget	560
Variations:	
Welfare Facilities	65
Drainage	65
Contamination	50
Building works	39
Demolitions, Surfacing and Other	65
Project Management	30
Contingency	49
Total Expenditure	923
Funded from:	
Capital Development Reserve	560
OPE	50
High Eastfield Farm Receipt	43
Allocated budgets	170
Total Funding	823
Shortfall	100

- 5.15 Officers have worked hard to drive down costs where practicable while allocating current budgets as related costs became apparent. The delay in project delivery has meant that project management costs have increased together with the associated risks.
- 5.16 The initial budget provided a contingency of £21k which is deemed inadequate considering the issues which have been encountered to date. As a result it is deemed prudent to increase the contingency levels by £49k to provide a £70k contingency which needs to be considered alongside additional project management costs of £30k. The table in paragraph 5.14 shows these variations and it is recommended as part of this report that £100k be allocated from the Council's Capital Contingency Reserve to fund the additional project management costs and underwrite the recommended contingency levels.
- 5.17 The development of a community hub at Peasholm Park was also a key aspiration of this scheme. An O&S task group has recently been convened to consider how the Council can better support voluntary and community groups and it would be appropriate that the provision of this hub is considered by this group in conjunction with the local community. It should also be noted that, whilst the Council is still awaiting the outcome of the bid, the proposed HLF funded restoration of South Cliff Gardens includes provision for a brand new, high quality community hub.
- 5.18 Due consideration has been given as to the continued viability of the scheme. Officers have reviewed this in conjunction with the anticipated spend required on each depot to bring them up to standard should this project not proceed, and the potential loss of a capital receipt for the sale of Manor Road Nursery.
- 5.19 Within the agenda of this meeting (ref 19/001) Members are asked to approve the freehold sale of the Manor Road Nursery Site. Current budgets within the Council's Medium Term Capital Plan require a capital receipt of £560k to be achieved. Any sales receipt in excess of £560k will therefore provide a net benefit to Council resources, being available to replenish any draws on the Capital Contingency Reserve should they materialise, or for alternative investments across the Borough.
- 5.20 This benefit will be in contrast to expenditure of £315k detailed through condition surveys that will be required to bring both sites up to standard should the scheme not progress.
- 5.21 There are other significant tangible benefits which will accrue as a result of this scheme. Working conditions will be significantly improved for approximately one third of the Council's workforce; security and safety on the Dean Road site will be improved; the sale and subsequent development of the Manor Road Site should deliver additional housing for the Borough; operational efficiencies will accrue delivering further revenue savings as a result of the co-location of operational services on one site and the general

appearance and functionality of Dean Road Depot will be improved ensuring it is fit for purpose for years to come.

- 5.22 Taking all these factors into account, it is recommended to continue with this project and to fund the anticipated shortfall in Project Management and contingency costs from the Capital Contingency Reserve.

6. IMPLICATIONS

6.1 Policy

There are no policy implications arising from this report.

6.2 Legal and Financial

There are clear legal and financial implications arising from this report. The project has been delivered to date following the Council's project management guidance, all procurement has followed the Council's procurement rules in line with the Constitution. In addition, an Officer from the Council's Audit function has been embedded within the project team to ensure compliance at every stage.

The report recommends funding £100k from the Capital Contingency Reserve for additional project management and contingency costs. The current unallocated balance of the Capital Contingency Reserve stands at £605k, being £105k higher than the minimum balance set as part of the Financial Strategy.

6.3 Equalities and Diversity

There are no equality and diversity implications arising from this report.

6.4 Communications

The Council's Environmental and Parks Services are very active on social media and will continue to widely promote the improvements delivered as a result of this project.

6.5 Staffing

Staffing implications have been considered and a formal consultation process will be undertaken with affected employees if the recommendations within the report are approved. Employees have also been updated informally on progress with this project through the use of service noticeboards and team meetings. The improvements to the depot outlined in this and previous reports will dramatically improve the working conditions for approximately one third of the Council's current workforce.

6.6 Planning

Planning consents have been obtained as part of this project and will be adhered to in full.

6.7 Crime and Disorder

Dean Road Depot is currently an unsecure site and has been subject to a number of small scale criminal activities over recent years. The improvements to site security and CCTV which will be delivered as part of this project should see a reduction in such activity.

6.8 Health and Safety

The improvements to the Dean Road Depot outlined in this and previous reports will significantly improve the health and safety on the site. New protected walkways, improved lighting, modern welfare facilities, new road surfaces and repairs to dilapidated buildings will ensure that the Dean Road Depot is fit for purpose for years to come.

6.9 Environmental

There are environmental benefits which will be delivered should this project proceed. The environmental implications of buying in plants were considered as part of the O&S process and it was agreed that this approach would deliver a net carbon reduction from production in comparison to the older processes used at the Manor Road Nursery. In addition, general improvements to the Dean Road site such a rainwater capture, new windows and insulation will significantly improve both energy efficiency and the environmental impact of operations.

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Background Papers:

Please give details of all publicly accessible (non private) background papers applicable to the report.

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT THE AUTHOR.

Risk Matrix

Risk Description	Cause	Possible Consequences	Mitigation	Mitigated Risk Factor (L x I)
Corporate				
Loss of political support.	Change in leadership. Loss of majority. Failure to convince party members to support the agenda.	Decision to move may be reviewed. Delay to the project. Abortive costs expended.	Decision taken by Full Council	A3
Insufficient resources internally to deliver the project.	Competing priorities. Same team members on every high profile project. Failure to recruit or provide succession planning.	Delays to the project. Project failure	DT to identify corporate priorities.	B3
Directors/Project Board do not make decisions in programmed timescales.	Competing priorities. Failure to understand the issues or urgency.	Delay to project. Possible cost implications.	Scope agreed at outset. Change management process in place	C3
Internal team do not respond within programmed timescales.	Competing priorities. Breakdown in internal communications between services.	Delay to project. Possible cost implications. Potential for work to be duplicated or not undertaken at all.	DT to identify corporate priorities. Development of Project Action Plan and timeline Regular Project Team meetings.	B3
Failure to comply with EU and/or Council procurement regulations	Lack of governance.	Potential for fines and penalties. Potential legal challenge. Adverse publicity. VFM not achieved or demonstrated.	Full consultation with Procurement Team throughout project. Governance by Project Board. Auditor embedded in project team.	A3
Adverse press/media.	Poor communications with media. Sensationalist agenda.	Negative publicity. Reduction in staff morale. Loss of confidence in the Council.	Communications Plan prepared.	A3

Risk Description	Cause	Possible Consequences	Mitigation	Mitigated Risk Factor (L x I)
Proposed project cost exceeds estimate.	Construction cost inflation. Unwillingness of market to accept risk transfer. Poor initial estimating. Scope creep	Increased project costs. Additional funding required. May need to go back to Council for a new decision. Project/additional funding may not be approved.	Robust feasibility study. Close budget management. Revised costs based on tendered prices. Prudent contingency built into project budget	B4
Loss of employee support	Lack of consultation and engagement	Impact upon employee morale. Negative publicity. Industrial dispute	Formal consultation with employees and TU's. Communications plan in place	A3
Loss of key project member at critical project stages	Employee sickness, departure, retirement	Loss of technical knowledge. Loss of project knowledge. Project delay, Increased project costs	All project information held in shared network space. External support could be accessed. Re-allocation of internal resource	A4
Failure to comply with Council Workforce Change Management Procedures	Lack of governance.	Impact upon employee morale. Negative publicity. Industrial dispute	HR support. Communications plan	A3
Design				
Design changes instigated by Council.	Change of previous decision.	Cost increase Programme increase	All change decisions reviewed by Project Board.	A4
Failure to meet requirements of OPE funding	Poor design. Failure to understand funding requirements and constraints	Budget impact. Negative publicity. Legal challenge	Clear understanding of OPE funding requirements	A3
Consultation				
Party Wall	Poor design. Failure to recognise party wall implications	Cost increase. Programme increase. May not be able to commence work on time.	Experienced consultant employed. Construction works sited sufficient distance from party walls	A2
Ground Related Risks				

Risk Description	Cause	Possible Consequences	Mitigation	Mitigated Risk Factor (L x I)
Unforeseen ground conditions.	Lack of ground investigation. Abnormal changes in ground conditions.	Cost increase Programme increase	Previous ground investigations undertaken by BWB Consultants. Experienced consultant and experienced SBC employee to undertake ground investigations. Mitigated by careful design	A3
Unforeseen underground structures.	Lack of ground investigations.	Cost increase Programme increase	Presence of unidentified underground structures is unknown. Limited excavation required through careful design.	B3
Inadequately managing known contaminated ground	Failure to implement mitigation measures. Contamination may be worse than anticipated	Cost increase Programme increase. Pollution of watercourse. Compensation claims. Prosecution by Environment Agency	Full contaminated land assessment undertaken by BWB Consultants. Mitigation measures and control procedures advised by BWB Consultants. Limited excavation required through careful design. Design takes account of required mitigation	A5
Presence of unidentified services.	Failure to check services records. Failure to carry out sub-surface scan.	Cost increase Programme increase	Services records obtained.	B3
Failure to manage artesian spring on site	Poor design	Cost increase. Programme increase. Subsequent damage to site		A3
Accidental damage to an underground/over ground service.	Failure to check services records. Failure to carry out sub-surface scan.	Cost increase. Programme increase. Disruption to services supply to surrounding buildings.	Services plans obtained. Safe working procedure for excavating around services.	A3
Construction Stage				
Materials prices rise compared to quotes	Inflation. Market forces.	Construction costs increase.	Competition through procurement. Accurate specification.	B3

Risk Description	Cause	Possible Consequences	Mitigation	Mitigated Risk Factor (L x I)
Construction disruption to surrounding area during the works.	Nature of the works. Inconsiderate working. Breach of statutory requirements relating to noise, dust, traffic etc.	Negative publicity. Possible legal action Enforcement action by Environmental Health/Planning	Construction good practice	A2
Unexpected building collapse during works.	Failure to understand structure.	Loss of life. Damage to property. Negative publicity. Possible criminal liability. Legal action.	Robust design. Public scrutiny through planning. Structural survey undertaken	A5
Inclement weather.	Weather conditions.	Cost increase. Programme delays.	Duration of works to avoid winter weather	A3
Unexpected structural differences within the buildings and retaining walls.	Failure to understand structure.	Cost increase. Programme delays.	Structural surveys undertaken.	A3
Lack of availability of supply chain.	Buoyant construction market. Remote location. Lack of local skills.	Cost increase. Programme delays. Poor VFM.	Use of local suppliers. Framework contracts in place	A3
Death or injury of a person on site.	Accident. Negligence.	Criminal prosecution. Loss of life. Compensation claim. Work stoppage	Safe working practices. Experienced contractor. Compliance with CDM regs.	A3
Unidentified asbestos discovered.	Failure to obtain access to all areas of building during survey. Unidentified subsurface asbestos contamination	Cost increase. Programme delays.	Extensive asbestos surveys. Extensive contaminated land survey	B2
Council unable to deliver services during construction phase	Poor planning. Unexpected impact of construction activity	Programme delays. Council unable to deliver services	Effective programme management. Maintain access to alternative Council sites (Manor Road) during construction phase	A3
The construction works are not delivered on time	Poor planning. Contractor issues. Site issues	Delays in relocating to site. Delays in vacating Manor Road to enable sale. Programme delays	Robust project management. Good contractor relationships pre project	A3

Risk Description	Cause	Possible Consequences	Mitigation	Mitigated Risk Factor (L x I)
Suppliers/contractors cease trading.	Market conditions.	Programme delays	Financial checks. Follow procurement rules	A3
Other				
Loss/reduced community engagement and support	Inadequate communications strategy. Negative publicity. Failure to deliver	Reduction in volunteering within Parks and Gardens. Reduction in community groups. Impact upon the quality of Parks. Loss of education opportunities.	Communications Plan	A3

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
			A	B	C	D
		Likelihood				

Likelihood:

A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact

1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster